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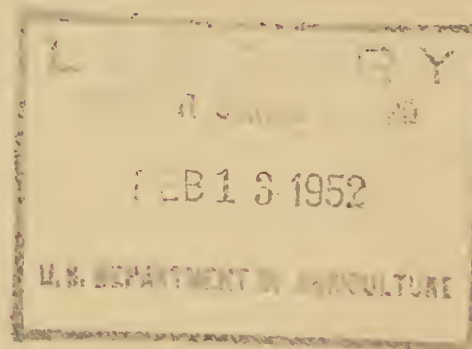
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**ANNUAL REPORT OF
MARKETING FACILITIES BRANCH**

FOR THE FISCAL YEAR ENDED JUNE 30, 1949



UNITED STATES DEPARTMENT OF AGRICULTURE
PRODUCTION AND MARKETING ADMINISTRATION
WASHINGTON, D. C.

ORGANIZATION CHART OF THE MARKETING FACILITIES BRANCH

MARKETING FACILITIES BRANCH
WILLIAM C. CROW, DIRECTOR
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MARKET ORGANIZATION AND FACILITIES DIVISION	WAREHOUSE SUPERVISION DIVISION	TRANSPORTATION FACILITIES DIVISION	TRANSPORTATION RATES AND SERVICES DIVISION
VACANCY FUNCTIONS:— Planning and promoting the establishment of market facilities in assembly, terminal, and secondary markets; determining best kinds of equipment for use in handling farm and food products; making studies of storage facilities and methods; determining best methods of handling frozen foods and kind of market information needed by frozen food industry; making studies of adequacy of storage space and conducting programs to deal with shortages; and issuing regular reports on cold storage warehouse capacity, holdings, and space occupancy, and special reports on cold storage subjects.	H. S. YOHE, CHIEF FUNCTIONS:— Administering the United States Warehouse Act; and inspecting warehouses used by the Commodity Credit Corporation for the storage of certain commodities.	J. C. WINTER, CHIEF FUNCTIONS:— Studying transportation requirements; determining adequacy of transportation facilities; developing, and carrying on programs dealing with transportation shortages; serving as liaison with other Government agencies on transportation problems; and conducting investigations designed to improve the utilization of transportation equipment.	C. B. BOWLING, CHIEF FUNCTIONS:— Handling freight rate cases before transportation regulatory bodies in an effort to obtain equitable water, rail, and truck rates on farm products; and serving other agencies of the Department in quoting freight rates and providing other transportation information needed by such agencies in the conduct of their programs.

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ANNUAL REPORT OF
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For the fiscal year ended June 30, 1949

SUMMARY

The function of the Marketing Facilities Branch is to facilitate the operation of the private marketing system for farm and food products by helping to improve the facilities that are used at various points in the marketing channel and thus hold down the costs of physical handling through such facilities. More specifically, the Branch develops plans for and promotes the construction of market facilities for handling the various kinds of farm products in producing areas, terminal, and secondary markets; carries on work designed to obtain better warehousing and transportation facilities; makes studies to find out how the costs of physical handling can be reduced through use of the most suitable kinds of handling equipment; determines where marketing, transportation, and storage facilities will be insufficient to handle the products that are expected to move through the marketing channel and develops and carries out programs designed to meet such shortages; administers the United States Warehouse Act, under which some 1,350 warehouses are operating; inspects certain types of warehouses not covered by the Act which are used by the Department in storing commodities owned by it; issues reports on warehouse capacity, occupancy, and stocks; and takes necessary action to obtain equitable freight rates on farm and food products. The work of the Branch is restricted to facilities that are used in the marketing channel, and hence does not include those located on farms. The sole purpose of its activities is to find ways to hold down the costs of distribution through improved efficiency and to make it possible to move the maximum quantity of farm and food products in as good condition as possible through the marketing channel to the consumer.

The work of the Branch is carried on by four divisions--the Market Organization and Facilities Division, the Warehouse Supervision Division, the Transportation Facilities Division, and the Transportation Rates and Services Division. This report is designed to record the most important activities of each of these divisions for the fiscal year which ended on June 30, 1949. In this connection, it should be pointed out that the work of the Branch consists solely of activities which cut across commodity lines and which therefore can best be handled on a cross-commodity basis. The market facilities developed by the Branch handle a variety of commodities, as do the warehouses and transportation agencies that store and transport the products. The results of the work on materials handling equipment are likewise applicable to many commodities. Therefore, the activities on all these facilities encompass all the commodities handled within them, but not all the cross-commodity marketing work of the Department is done by this Branch. The activities of this Branch are restricted to work pertaining to the physical handling of products and the facilities used in such handling. The Branch does not deal with problems of merchandising, measuring of loss and damage, packaging, grading, trade barriers, and other subjects that are not part of the physical facilities for marketing.

A large part of the work of the Branch is done in cooperation with other agencies and groups that are concerned with marketing. The Branch works extensively with State agricultural colleges, State departments of agriculture and bureaus of markets, State public utility commissions, the various trade organizations concerned with the marketing of different commodities, warehousemen and their organizations, civic organizations, members of the trade, farmers, and farm organizations. All of the studies of market facilities and the development of plans for new facilities are made cooperatively with many of these groups. In the preparation and handling of freight rate cases with the carriers and regulatory bodies nearly all the work is done cooperatively with one or more of these groups, as is the work on shortages of transportation and storage facilities. By working extensively with groups of this kind the Branch is not only able to accomplish much more within a period of time than could be done if it worked alone, but it is also able to get many things done that could not otherwise be accomplished. Duplication of effort among the various agencies is avoided. The cooperation the Branch has received from these groups during the past year has been excellent, and any credit which may be given the Branch for its accomplishments must be shared with these cooperating agencies.

It is felt that the work of the Branch is of definite benefit to many groups that are concerned with marketing. By developing proper market facilities, getting sufficient transportation facilities to move the products and adequate storage to take care of them, assuring the proper protection of commodities while in storage, and getting equitable freight rates for transporting the products from the farmer to consumer, the Branch is giving material assistance to the farmer in expanding the outlets for his products and giving him a larger return than he would otherwise receive. By assisting in getting the best possible physical handling of these products through the marketing channel, the activities of the Branch help the consumer to obtain regularly a larger variety of food products in better condition and at lower prices than otherwise would be the case. By developing and promoting the construction of efficient facilities in which to do business, the Branch helps distributors to improve their competitive position and to operate under more desirable conditions. In planning market facilities in the various localities, aid is given the cities in arranging for more efficient food handling, alleviating their traffic problem, and maintaining or expanding the volume of business that flows through their markets. In a broad sense this work is designed to improve the operation of the private marketing system so that it may do the best possible job of distributing the products which the American farms are able to produce in such great abundance. Physical handling costs make up a large part of the total marketing bill; hence programs to reduce these costs and eliminate as many unnecessary handlings as possible constitute a large part of the job of improving marketing.

I. PLANNING AND PROMOTING IMPROVED MARKET FACILITIES

During the past year people and agencies throughout the country have become greatly interested in improving market facilities in their localities. There are several reasons for the tremendous growth in concern over this problem, including the passage of the Agricultural Marketing Act of 1946, the high cost of living and expensive distribution, the introduction into Congress of proposed legislation which would aid in the construction of market facilities, and the possibility of the development of public works programs. Despite the fact that the Branch gave more assistance in planning markets than in any previous year in its history, the year ended with requests for aid from 20 localities untouched. During the course of the year, work was done in planning and promoting the necessary facilities in 29 cities and producing areas located in 20 States. In the conduct of these studies facilities for handling fruits, vegetables, poultry, eggs, butter, meat, frozen foods, and other commodities were analyzed to determine the defects in handling methods and of the facilities being used and to measure the amount that was added to the marketing costs because of each defect. The kind, size, and amount of facilities needed to handle the products efficiently were determined; the availability and cost of satisfactory sites for the facilities were ascertained; and definite plans drawn up for the kind of facility that would best meet present requirements and make proper provision for future expansion to meet the growing needs of the area concerned. The report prepared on each study presented all of this information and showed the exact kinds and size of facilities needed; the best location for such facilities; what they would cost; how they should be managed and operated; what rentals would have to be charged for their use; how they could be financed; what savings would result from operating in them as compared with operating in existing facilities; and what benefits would accrue to the farmer, distributor, consumer, and the locality from carrying out the recommended plans. New facilities were not recommended unless the construction would either reduce the cost of handling the products concerned, or expand the outlets for farm products, or both.

The report on the study in each instance is first presented orally to all the interested groups in the locality and the surrounding area in order to get their suggestions and criticisms. Following this presentation, a written report is prepared and released, after which work continues with the interested groups in helping them draw up the necessary organization to build and operate the facilities, select the location, arrange the financing, and redraw the actual lay-out to fit the site purchased. After the local architects and builders have been selected, the persons responsible for the study work with them for two or three days to see that they fully understand not only the kind of facility needed, but also the reasons for drawing the plans in the way that they were drawn. At that point the local architects and builders take over and construct the facilities. When construction has been completed, further assistance is given to the people operating in the facilities by helping them plan for the successful operation and determine the kinds of market regulations needed, and in the

handling of other subjects that are necessary to help the new facility succeed. At this point an individual project is considered finished except for a brief investigation later to determine what mistakes, if any, were made in the planning and developing of the facilities and to measure the actual benefits that have been derived from them so that the experience gained in one locality can be used in planning markets in other places.

The types of facilities usually included in the market plan for a particular locality are stores for wholesale handling of the various types of commodities, sheds with platforms underneath where farmers and truckers may sell their own products, rail sidings at buildings which will handle a sufficient number of cars to meet the unloading and loading requirements, refrigeration facilities, team track yards, packing sheds, parking areas, offices, storage space, and auxiliary facilities. It is always recommended that the initial construction be limited to the amount of facilities that can be immediately leased to satisfactory tenants, but the design is so drawn that it will be possible to add to the facilities from time to time to meet the changing needs of the locality. These additions may be additional structures for the same kinds of business that initially occupied the market, or for allied industries which may want to move into the area at some future time.

Plans for the largest market studied during the year call for the building of some 460 wholesale store units, railroad tracks for approximately 1,000 cars, parking space for several thousand trucks, and other facilities in proportion. This market, with the necessary space for expansion, would require some 150 acres of land and the total cost of its construction would amount to about \$14,000,000. The smallest market for which plans were developed includes a facility consisting of only three farm sheds with a total of 150 stalls, an office building, and three other small buildings, costing about \$85,000.

By the close of the year, new facilities had been built or were under construction in Dallas; Trenton; Greenville, S. C.; Jackson, Miss.; Miami; and Benton Harbor. In St. Louis, Houston, San Antonio, Norfolk, Richmond, Indianapolis, Hartford, and Columbia non-profit private or public benefit corporations have been created to build the facilities recommended, and in some of these localities financing has been arranged and a site selected. Individual reports presenting the results of the market studies and recommendations for new facilities have been published on the following localities: Hartford; New Haven; Richmond; Columbus; Houston; Baton Rouge; Miami; Benton Harbor; Columbia; Atlanta; Sumter and Lake Counties, Fla.; Tampa; Greenville, S. C.; and Jackson, Miss. At the close of the year reports for St. Louis and Little Rock were in the processing rooms for duplication and bulletins were being written covering the results of studies in Savannah; Milwaukee; San Antonio; Cleveland; Baltimore; Indianapolis; Norfolk; Raleigh; Tyler, Tex.; Boston; Tulsa; and for facilities in Arizona.

The construction of these improved market facilities brings benefits to a number of groups by reducing the cost of distribution through elimination of unnecessary cartage and other excess handling; reducing financial and physical losses from spoilage and deterioration; reducing the time required of farmers, dealers, truckers, and buyers in the transaction of business; and facilitating trading and proper price-making by bringing together into one area a complete line of commodities properly graded, packed, and displayed for sale; thus giving the farmer a better outlet for his products and the consumer higher quality commodities at lower prices. In areas where no market facilities hitherto existed the new facilities make it possible for farmers to market products for which their soil and climate are suited.

II. REFRIGERATED WAREHOUSING AND FOOD HANDLING FACILITIES

The work done on refrigerated warehousing and food handling facilities is of two kinds: (1) The compilation and release of statistics on the capacity, utilization, and occupancy of cold storage warehouses and of the stocks of the various commodities stored therein; and (2) the conduct of research projects designed to determine the kinds of marketing facilities needed for the handling of frozen foods.

During the year, four types of statistical reports were issued monthly in this field. The most important of these was a report of the quantities of some 87 different foods in storage in the refrigerated warehouses of the country, which also showed the percentage of warehouse space occupied in each State. This report, commonly called "The Cold Storage Report," has been released monthly since 1916, and the information contained therein is widely used throughout the country by producers, members of the trade, warehousemen, bankers, research people, and others interested in supplies and distribution of perishable foods. The other reports issued monthly were: (1) A report of cold storage stocks of selected frozen fruits and vegetables by package size; (2) a report on the amount of fish in storage, prepared in cooperation with the Department of the Interior; and (3) a report on the quantity of margarine produced each month.

In addition to the regular monthly reports, three other reports were issued during the year. One of these was the fourth of a series of annual summaries which showed the first-of-the-month warehouse stocks of various commodities for 1948 by regions, with comparisons with the average holdings for the corresponding month of the previous five years. Another was the fourteenth of a series of reports which have been issued biennially since 1921 showing the total amount of refrigerated warehouse space in the United States by regions, States, and selected cities, with the space broken down by temperature range and by type of ownership of the warehouse. The third report, prepared and released at the request of the tree-nut industry, showed the amount of each kind of tree nuts in storage at the peak time of the year, which was July 1.

During the year the general study of frozen food handling facilities initiated during the preceding year was brought to completion, and two new projects in the frozen food field were undertaken: (1) A survey of frozen food facilities in Arizona; and (2) a study to determine the kinds of market news information needed by the frozen food industry.

The report on the general study of frozen food handling facilities was completed for publication before the end of the fiscal year. The purpose of this study was to determine what kinds of facilities and methods of handling frozen foods seem to be most efficient and the adequacy and inadequacy of existing facilities in every stage of frozen food marketing from the packer to the consumer. These findings are to aid in getting the right kind of facilities to distribute agricultural commodities efficiently in frozen form. In the conduct of the study, many packing areas were visited, numerous refrigerated warehouses were surveyed, and the facilities of more than 315 wholesalers in 50 cities of key importance as distribution centers were analyzed. About 300 retail stores in representative parts of the country were visited to determine the nature and use of the various types of frozen food display and storage cabinets, and many primary distributors, brokers, and transportation agencies were interviewed. The report shows that immediate work needs to be done to improve the facilities in certain parts of the marketing channel and that there is an urgent need for improvements in transportation facilities before frozen foods can be adequately hauled long distances at the proper temperature. To a great degree the facilities used by the wholesalers of frozen foods were not designed for carrying on that type of business and are not conducive to efficient marketing. An important factor limiting the development of the industry at present is the inadequacy of facilities for handling in retail stores.

The investigation in Arizona, which is being carried on in cooperation with State agencies and industry groups, is designed to find out how the distribution of frozen foods can be expanded and improved through a proper coordination of the different types of facilities and through the provision of the right kinds of facilities.

The frozen food market news study is being carried on for the purpose of finding out what kinds of market information are needed by the industry, the amount and quality of information already available, how the existing information can be improved, and what methods of collection and dissemination of additional information would be most satisfactory. The frozen food industry is a rapidly growing industry and one which to date has very little satisfactory market information. Many persons connected with the industry have felt that the satisfactory expansion of this method of distribution requires a certain amount of information, which does not now exist, to be used as an aid in the marketing of the products.

III. MATERIALS-HANDLING STUDIES

Despite the fact that the major part of the costs of marketing farm products is accounted for by labor cost, very little attention has been given to the adoption of labor-saving devices in the handling of farm and food products in the marketing channel. Farms have been mechanized; so has manufacturing. But the same degree of mechanization has not been applied to distribution. Therefore, at many stages in the marketing channel labor is relatively unproductive because it has no satisfactory equipment to work with and many operations are performed which are not necessary at all. With increasing wage rates there is growing pressure to provide labor with the necessary kind of equipment in order that it may increase its productivity. Unless labor in the marketing channel can be made more productive and unnecessary handling operations be eliminated, it would appear to be almost impossible to halt the trend toward higher and higher marketing costs with higher prices to consumers and lower returns to growers.

In addition to its efforts to make the physical handling of farm products more efficient through planning and promoting the construction of properly designed facilities, the Branch is conducting studies to determine the possibilities of reducing costs of handling farm and food products into, within, and out of such facilities through the use of various types of labor-saving equipment. These studies of materials-handling equipment will show: (1) The kinds and amount of equipment needed most efficiently to perform the handling operations; and (2) the methods by which such equipment may be efficiently utilized. During the past year work in this field was limited to two commodity groups--fruits and vegetables, and cotton--but it is felt that many of the conclusions reached on the basis of the work on these commodities can be applied in the handling of other commodities, since there are other commodities packed in containers of about the same shape and size as those being studied in these two commodity groups.

In cooperation with the fruit and vegetable trade, a study is being made to determine under what conditions wholesalers should use two-wheel hand trucks, four-wheel hand trucks, skids, pallets, fork-lift trucks, or conveyors, and how much their costs can be reduced by using the most suitable kind of handling equipment. Since more than 650 types of packages are used for handling fresh produce it was, of course, necessary to limit the studies to a representative number of packages. Therefore, the studies carried on during the year dealt with bushel baskets of apples or peaches, 50-pound bags of cabbages, standard boxes of citrus fruit, 100-pound bags of potatoes, stems of bananas, bushel hampers of beans or peas, L. A. crates of lettuce, and lugs of tomatoes or grapes. By the end of the year more than 1,350 individual observations on an over-all and time-study basis had been made in 41 cities throughout the country. These observations showed about as much variation in productivity among dealers using the same kind of equipment as they did for operators using different kinds of equipment. Thus it seemed rather important to reach two kinds of conclusions: (1) To show how to get the most out of each kind of equipment; and (2) to

determine the kind of equipment most suitable for each general situation. A manuscript is in process of preparation of the former aspect of the study, and data are continuing to be gathered on the latter.

Another study of materials-handling equipment is being conducted in cooperation with the cotton warehouse and cotton compress industry to determine how the costs of handling cotton into, within, and out of warehouses can be reduced by using suitable handling equipment. Time study techniques are being employed by our engineers to measure the man-hours and elapsed time required for a given combination of equipment and methods used to perform the specific operations. When prevailing wage rates are applied to man-hour requirements, a money cost for labor is derived. Costs incurred by a representative number of warehousemen in the purchase and upkeep of the various kinds of equipment are also being compiled, including depreciation, fuel, oil, maintenance, repairs, insurance, taxes, etc. In this manner the total cost of a given handling operation (both labor and equipment) may be determined in order to give a more accurate comparison of the different types of handling equipment and methods that can be employed for such an operation. It is felt that the field work on this study will not be completed before January 1951 and that the preliminary report will not be ready before June 30 of that year.

Observations that have been made to date indicate that there are great possibilities of reducing the costs of physical handling through proper use of suitable kinds of equipment. To illustrate, one operator of a facility handling various types of packages has found that by building the proper kind of facility and equipping it with the right kinds of equipment he was able to reduce the amount of labor required for handling the packages from the railroad car into his building by more than 90 percent, and that by applying what he had learned in his new facility to his old facility that was not designed as efficiently as the new one, he was able to reduce the amount of labor required in his old facility by about 80 percent. It is not expected that such great reductions can be made by all types of operators in the marketing channel, but this illustration simply shows that the potential savings are so great as to prove conclusively the worthwhileness of work designed to determine ways of reducing the cost of physical handling of products in the marketing channel by proper mechanization of operations.

IV. DETERMINING PRINCIPLES FOR MARKET FACILITY PLANNING

The planning of proper market facilities for specific localities depends upon a knowledge of the principles that should be followed in developing such plans. At the time of the first study to develop plans for a particular market, no such principles had been developed, but now, under the Marketing Farm Products Appropriation, work is being carried on each year for the purpose of finding answers to questions that must be dealt with in the planning of all markets in specific localities. During the past year five studies of this kind were carried on.

The first of these was a study to determine the factors that govern the success of wholesale markets for farm products in producing areas. The building of market facilities in producing areas is a rather hazardous undertaking because if such facilities are not used for the purpose for which they were constructed there usually is no alternative use for them. A review of the history of such markets over a number of years shows that many facilities built in producing areas have failed. Thus, before developing plans and suggesting that a facility be built in a producing area, it is important to be sure that the facility is likely to succeed. This study of existing markets and of those which have failed in producing areas throughout the United States is designed to find out what conditions prevail when such markets have succeeded and how the conditions differed in those markets which have failed. When the study is finished, it will therefore be possible not only to draw up the right kind of plans for assembly market facilities, but also to give the people in the interested area the best possible opinion as to whether or not it would be desirable to build the facilities. During this first year on this project work was concentrated on assembly markets for fruits and vegetables, and the experience of 47 such markets in 5 States was studied. It is expected that the field work on this phase of the study will be completed and a report prepared before the end of fiscal year 1950. Work on the same problem as it affects facilities for other commodity groups will be undertaken as rapidly as possible.

The second study on principles was to determine the most efficient arrangement of railroad track facilities to the buildings in wholesale markets. For many years there has been almost no information to show whether rail facilities at wholesale houses should be arranged parallel to the store buildings or shipping sheds, or at some angle; or whether they should be placed at ground level, in basements, or on roofs. The arrangement of tracks has a great effect on the cost of unloading and loading as well as on the cost of the facilities themselves and on the amount of land required. By the end of the year a manuscript had been finished which shows the differences in the cost of construction and the amount of land required for the different possible arrangements of tracks. The effect of the various types of track arrangement on the cost of unloading cannot be completely determined until more data are available from the materials-handling studies discussed above.

In order to minimize the costs of handling into and out of various market buildings and warehouses, it is necessary that the floors or platforms be at approximately the same height as the floors of railroad cars and trucks. Since there is considerable variation in the height of truck beds and the floors of railroad cars, a study was made to determine the average height of the floors of trucks and railroad cars actually found in a number of markets. The height of the truck beds varied from 22" above the road to 57", with approximately 68 percent of the trucks between 40" and 49" high, which suggests that a platform height of about 45" would be most satisfactory for the loading and unloading of commodities from trucks. Measurements made of refrigerator cars showed that the distance from the top of the rails to the height of the floor rack inside

the car varied from 51" to 58", with most of the cars being more than 54". On the basis of these figures it appears that a good height for a platform for loading and unloading refrigerator cars is around 55". Additional data will be gathered from time to time on this subject as manufacturers alter the designs of transportation equipment.

Work was continued during the year on the study of wholesale poultry and egg market facilities in 30 cities considered to be representative of the wholesale markets of the country. The purpose of this study is to determine the defects and inefficiencies existing in wholesale poultry and egg markets, the approximate amounts that these defects are adding to marketing costs, the kinds of facilities that seem to be most efficient for handling these commodities, and the amounts of facilities being used to handle specified volumes. In a large portion of these cities it was found that the stores of wholesalers are poorly designed, and have no platforms, poor sanitary conditions, little or no refrigeration, no rail connections, and an almost complete absence of labor-saving equipment. Traffic congestion in the market areas was common.

Another problem faced in the planning of every new market is that of determining how much floor space is required to handle the volume of business that will move through the facilities. Experience has proved that it is impossible to build facilities solely on the basis of the amount of floor space that the dealers say they would like to have. For the market development to be sound financially it is important that there be no more facilities built than are actually needed to handle the commodities. The amount of floor space actually being used by dealers who propose to move into the facility gives some indication of the amount of space that would be needed in the new facility, but it is only an indication because the space required in efficiently designed facilities will not be the same as that required in buildings that were not built for the purpose. In an effort to relate the amount of floor space needed to the volume of products handled, a study was undertaken during the year in some of the most modern market facilities of the country--facilities most nearly like those recommended by the Branch. For fruits and vegetables it was found that a modern store unit of the size being recommended by the Branch might be expected to handle between 250 and 300 car-loads per year. It was also found that poultry wholesalers used approximately three times the floor space required for egg dealers handling comparable volumes. Additional information is needed before conclusions on the amount of space needed for specific volumes of the various commodities can be considered final, but in the meantime these tentative conclusions are being used in the planning of individual markets.

V. ADMINISTRATION OF UNITED STATES WAREHOUSE ACT

During the year the Branch supervised the operations of 1,381 warehouses licensed under the United States Warehouse Act. These warehouses store cotton, grain, wool, tobacco, nuts, broomcorn, dry beans, sirup, canned foods, cottonseed, cold pack fruit, seeds,

and cherries in brine. The Warehouse Act was passed in 1916 in order to create a system of warehousing under which storers could be assured of safe storage and obtain warehouse receipts which would be accepted as good collateral for loans from bankers throughout the country. The Act aims to protect depositors, warehousemen, and the holders of receipts, whether depositors, merchants, or bankers. Licensing under the Act is voluntary, so no warehouseman is brought into the system except on his own application. When he applies for a license, he and his facilities are carefully checked to determine whether or not they are acceptable. After being licensed his operations are checked at irregular intervals to be sure that products of the right quantity, grade, and condition are in storage to back each outstanding receipt and that he is complying with the provisions of the Act and the regulations issued thereunder.

Throughout the history of the Act the principal activity has been the licensing and supervising of warehousemen storing cotton and grain. As of the end of the fiscal year the capacity of all cotton warehouses licensed under the Act was 10,607,939 bales, and the capacity of the grain warehouses was 336,353,455 bushels. The capacity of licensed cotton warehouses ranged from 1,000 bales to 200,000 bales, and the capacity of the grain facilities varied from 25,000 bushels to 18,500,000 bushels. The total amount of licensed space increased during the year. However, the increased licensed capacity was not the principal cause of the increased workload, because the year was characterized by rapidly increasing quantities of commodities in storage, and the volume of work is directly related to the quantity of commodities moving through the licensed warehouse space. To illustrate, the carry-over of cotton at the beginning of the 1947 season was approximately 2,500,000 bales. A year later it was slightly over 3,000,000 bales, and at the beginning of the 1949 season it is estimated that it will be about 5,500,000 bales. Much of this carry-over is in licensed warehouses. The growth in volume of work during the year can be further illustrated by pointing out that in 1947 warehouses supervised by the Wichita office issued about 41,000 receipts for 143,000,000 bushels of grain, while in 1948 they issued about 103,000 receipts for more than 207,000,000 bushels. The number of receipts issued and the volume of grain covered by them increased by about the same proportions in the warehouses inspected by the Omaha office.

As the licensed capacity and stocks of warehouses increase with no increase in the number of warehouse examiners available to supervise their operations, the number of inspections per year obviously has to drop. While it has always been considered sound administration to average about 4 inspections per year, during the past year each cotton warehouse was examined only about 2.5 times; in the territories served by the Indianapolis and Wichita offices not more than 2 examinations per house were made; and in the Pacific Northwest area it was not possible to make 1 complete round of examinations of all houses during the year. With the steady increase in stocks, even if not a single additional license is granted, it will not be possible, of course, to make this number of inspections during the coming year.

At the close of the fiscal year the demand for new licenses was greater than usual, and the facilities of all applicants were being inspected as rapidly as possible, with licenses being issued to those who could qualify. In many areas there is a definite and insistent demand on the part of the public for Federal licensing of warehouses. In some areas bankers do not want to make loans on either cotton or grain except with a Federal warehouse receipt as collateral. This increased demand to come under the Federal warehouse system has developed without any sales promotional work on the part of the people administering the Act. They feel that they have all they can do to supervise properly the houses already under license and maintain the record which has been established over the years of no storer in any Federally licensed warehouse having suffered financial loss through faulty warehousing. This record has been maintained even though the value of the stocks moving through these warehouses has sometimes run as high as \$4,000,000,000 per year.

VI. SUPERVISION OF WAREHOUSES USED TO STORE COMMODITIES OWNED BY THE DEPARTMENT

In addition to administering the United States Warehouse Act, the Branch was responsible for inspecting certain kinds of non-licensed warehouses used by the Department for storing commodities owned by it, and for inspecting periodically the stocks in these houses to determine their condition. The types of warehouses covered by this service for the Department were wool warehouses, cold storage warehouses, and merchandise warehouses storing packaged goods. During the year, 50 examinations were made of wool warehouses to determine their acceptability for wool storage, and about 600 examinations were made of houses being used for the storage of wool to determine that it was properly stored and handled in accordance with the standards prescribed by the Commodity Credit Corporation. During the year, 152 original examinations were made of warehouses storing packaged goods such as dry milk, dry edible beans and peas, dried and whole eggs, and butter to determine their acceptability for the storage of these commodities, and 419 examinations were made to determine that the warehouses were properly maintained after their original approval and to check the condition of stocks stored in them.

The primary purpose of this work is to inform employees of the Department who are responsible for the storage of these types of Government-owned commodities of suitable facilities operated by competent personnel and to check the stored commodities every 60 days to see that they are being cared for properly. These examinations have prevented the making of contracts for the use of unsatisfactory facilities such as barns, old ice houses, and dilapidated buildings. In cases where the facilities examined were satisfactory and were being operated by trustworthy but under-financed persons, it was suggested that adequate bond be required before a storage contract was made. Through the 60-day-interval inspections it was possible to locate promptly any damage that might be occurring to commodities and correct conditions before they could lead to any serious loss. This work for the

Department not only protects it, but also contributes toward improving the warehousing standards of the houses used by the Department by making the warehousemen realize that if they expect to store these Government-owned commodities they must maintain clean, sound buildings and operate in accordance with Department standards, paying particular attention to temperatures, humidity, ventilation, the use of dunnage, stacking methods, fire hazards, and general cleanliness.

VII. TRANSPORTATION FACILITIES

In the field of transportation facilities, the Branch carried on two kinds of work during the year: (1) Studies were made to determine the adequacy of transportation facilities for meeting prospective requirements, and where shortages appeared to be in prospect, plans were made in advance and action taken to alleviate such shortages; and (2) investigations were made of the utilization of railroad facilities for the purpose of determining the magnitude, cause, and location of delays in the handling of cars in order to facilitate the speeding up of the movement of products to market and to point out the possibilities of railroads making better use of their rolling stock, which would, of course, have the same effect as augmenting their car supply.

During the first quarter of the fiscal year there was a continuation of the high levels of railroad traffic which prevailed in the previous postwar years, but during the second quarter a downward trend in total railroad traffic set in which continued through the balance of the year. This downward trend was due largely to (1) the mild winter in the eastern part of the country which reduced the consumption of coal; (2) some tapering off in industrial production and general business activity; and (3) diversion of traffic from railroads to other forms of transport.

During the first part of the year there were shortages of box-cars for the movement of agricultural commodities and of open-top cars for the movement of fertilizer materials, but those shortages were not as severe nor of as long duration as in the same months of the previous year. The refrigerator car supply has been tight at various periods throughout the year with minor shortages developing at periods of peak movement or resulting from dislocation of cars because of severe weather. Good management in the distribution of cars has helped keep shortages at a minimum. In order to assist in such distribution, the Branch has anticipated car requirements for the movement of perishable agricultural commodities that move in large volume and advised the carriers with respect to those requirements, so that they might make preparation for meeting them.

The serviceable ownership of all freight cars of Class I railroads totaled 1,738,423 on June 1, 1949, as compared with 1,740,378 on January 1 of the previous year. During this same 17-month period the number of serviceable boxcars declined from 700,320 to 684,860. However, there has been continued improvement in the quality of available cars through the rebuilding and rehabilitation of old equipment. The Office of Defense Transportation, the wartime agency authorized to deal with emergency transportation problems, expired on June 30, 1949, so all wartime transportation controls which that agency administered are now canceled.

The fleet of motortrucks serving in the transportation of agricultural products seems to be entirely adequate. Motortruck manufacturers report that factory sales for the domestic market amounted to 1,162,589 units during 1948 as compared with 971,605 units during the previous year. At the end of the calendar year 1948, motortruck registrations totaled 7,227,380 as compared with 4,834,742 three years earlier.

During the first three months of 1949, 34 non-self-propelled vessels were constructed with a gross capacity of 15,211 tons, which, when added to the 148 such barges built during 1948 with a gross capacity of 84,983 tons, brings to 100,000 gross tons the construction of barges for use on the inland waterways.

One of the most serious problems on transportation facilities has been that of the transportation and storage of grain. Since early in the war and through a part of the 1948 harvest the principal difficulty was with shortages of boxcars. Midway through the 1948 season, however, the terminal and sub-terminal elevators became filled, and it was necessary for the railroads to establish embargoes to prevent misuse of cars. In order to assist as much as possible in the handling of this grain transportation problem, the Branch brought together information on the expected production by crop-reporting districts as related to the available storage space in such districts in order to determine the areas in which storage would not be adequate for forthcoming requirements. The data thus obtained were made available to the railroads, the public, and Government agencies in order that as much old grain as possible might be moved out of such areas before the new season started and that the railroads might accumulate a supply of empty cars in these areas in advance of the harvest. As the season progressed, information obtained weekly from the County Agricultural Conservation Committees in the problem areas showed the progress of the harvest, the amount of grain needing transportation for lack of storage, grain on the ground on farms and at or near the railroad right-of-way, the number of cars loaded, and the number that could have been loaded if they had been available. As these reports were received, they were summarized in the form of regular weekly releases for distribution to railroads, the grain trade, Federal and State agencies, and others concerned with grain movement. At the end of the fiscal year work was under way to repeat this program for the 1949 season.

Although the movement of perishable freight in refrigerator cars was lower than it was for the preceding year, there was a smaller number of such cars available to handle the traffic, so it has continued to be necessary to make judicious use of the refrigerator car fleet. In order to assist in doing this, the Branch throughout the year has measured in advance prospective car requirements, and a representative of the Branch has met regularly with the Refrigerator Car Advisory Committee, which operates under authority of the Interstate Commerce Commission.

In order to determine delays in the movement of railroad freight from point of origin to market, a study was made of the movements of 23,000 carloads of agricultural commodities, such as bulk grain, flour, cereals, canned and dried milk, lard, vegetable oils, fertilizer materials, and other miscellaneous products. Records were taken of movements during two periods--the first during November and December 1947, and the second from March through June 1948. No records were taken during the extreme winter months because of the fact that they might not be representative. This study showed that nearly 20,000 of the 23,000 cars covered in the sample required more than the normal transit time to move from origin to destination, and that the average delay of these 20,000 cars was more than 80 percent of the normal transit time. The study also showed that more than one-third of the total cars shipped required at least twice the normal transit time in moving from origin to destination.

An analysis of these car delays by routes revealed a great difference in the performance of individual railroads. The determination of the normal transit days on the individual movements, was based upon the advertised schedules and time cards of the railroads, with adequate time allowed for the car to be placed in outbound trains and handled through intermediate yards and for any interchanges that were required. The actual time was the elapsed time between the time the loaded car was ready for shipment and the time the railroad notified the receiver of its arrival. This slow movement of railroad cars from origin to destination not only has the effect of reducing the average car supply, but also has been one of the causes of shippers diverting their traffic from rails to trucks. To illustrate the magnitude of the problem, it might be pointed out that if the turn-around time on all cars loaded in 1948 had been reduced by only one day, it would have been equivalent to adding approximately 117,700 cars to the railroad fleet. The results of this study of car delays were presented to the Interstate Commerce Commission for consideration in its deliberations over the request of the railroads for a general increase in freight rates. In making this presentation it was suggested that if the railroads could improve their performance, they might be able to reduce their costs and at the same time remove one of the reasons for shippers diverting their freight to trucks. In the long run this would be a better approach to the railroads' financial problem than continued increases in the freight rate level.

VIII. TRANSPORTATION RATE ADJUSTMENTS

The Branch, pursuant to two acts of Congress, appears before transportation regulatory bodies for the purpose of presenting evidence to hold freight rates on farm and food products as low as possible while still giving a fair return to efficiently operated carriers. During the year the Branch participated in 97 freight rate actions, 52 of which were before the Interstate Commerce Commission and 1 before the Maritime Commission. Forty proposals were negotiated directly with railroads and 2 with water carriers. The remaining 2 actions were court cases. Of the 97 actions

participated in during the year, 58 were concluded while decisions in the remaining 39 were pending at the close of the year. Of the 58 concluded, the Branch was successful in 51.

A considerable part of the resources available to the Branch for freight rate work went into a few far-reaching cases that affected all agricultural commodities. In some of these, general rate increases were at issue; in others, some principle of great concern to the movement of agricultural commodities was involved. A majority of the resources available for rate work, however, was devoted to handling rate adjustments on individual agricultural commodities.

The most important railroad case participated in during the year was Ex Parte 168, in which the carriers sought general increases in rates amounting to 13 percent. In the previous actions in which general increases were sought because of increased costs of railroad operation, the Branch did not take a position that the roads were not entitled to any increase, but insisted that no increase should be granted without complete hearings to determine the amount needed, and at such hearings it attempted to show that the increases were much less than those requested. However, the Branch opposed on several grounds this 13-percent increase, coming as it did on top of previous increases of about 44 percent in the freight rate level, and presented extensive testimony and exhibits to support its position. First, it pointed out that traffic was being diverted rapidly from railroads to trucks with each increase in railroad rates that had been granted since the close of the war, and that still further increases coming at this time would result in further loss of traffic so that the railroads were in effect gradually pricing themselves out of the market. In other words, an attempt was made to show that for many types of traffic the carriers were already charging all the traffic would bear, and that the requested increase would not only be detrimental to the public but would very likely be detrimental to the railroads themselves. Second, it was pointed out that the general price level had started downward, along with the index of industrial activity, and that it would not be good for the railroads or for the national economy to have a 13-percent increase in price of railroad service imposed at a time when other segments of the economy were moving in the opposite direction. In this connection, attention was called to the results of similar action taken about 2 years after the close of the first World War. The third major point made by the Branch in this case was that the Interstate Commerce Act authorizes a fair rate of return to efficiently and economically operated carriers, and that there was reason to believe that many railroads are not operating as efficiently as they might. The Branch filed a request with the Interstate Commerce Commission that, before granting any further increase, it investigate the efficiency and economy of operations of the carriers or require them to show that they were operating economically. It was felt that in the long run it would be sounder policy for the railroads as well as for the public for them to maintain their earnings by reducing costs rather than through further increases in rates which would lead to further diversions of traffic. In making this request

the Branch pointed out the results of a number of studies that have been made of railroad operations which show the possibility of making significant economies and called attention to the fact that many railroads already have satisfactory returns. It also called attention to the fact that during the past year the carriers lost about \$560,000,000 on passenger traffic, and that if passenger traffic could be made to break even without being subsidized by freight traffic, the carriers would have had a rate of return after all taxes, including income taxes, of more than 7 percent and would not need to be seeking this increase in freight rates. Evidence was also introduced to show that the cost of capital is somewhat less than it was a quarter of a century ago when the prevailing opinion was that a rate of return of 5½ to 6 percent was satisfactory.

In order to present all the factual material it could to substantiate these points, the Branch augmented its staff temporarily by getting outstanding authorities to testify on various phases of the problem. Following the submission of all the material it could prepare that would be of assistance to the Commission in reaching a satisfactory decision in the case, a reply brief was prepared to briefs submitted by the carriers, and extensive oral argument was made. While the Commission had not reached a final decision in this case by the end of the fiscal year, shortly thereafter it did award the carriers an increase of about 9 percent. At the same time it called their attention to the facts that they should do more to improve the efficiency of their operations and that rate increases had proceeded to the point where many people question whether the railroads can make further general rate increases without losing sufficient traffic to offset the potential benefits of the increase. No increases were granted on protective services, and limits were placed on the amount of the increases permitted on some agricultural commodities.

Paralleling the increases that have been granted railroads, that part of the trucking industry whose rates are regulated by the Interstate Commerce Commission sought increases in rates, usually by following the procedure of having one territory at a time request a general increase. The Branch has participated in most of these general rate increase cases involving motortrucks and in each instance has taken the position that no increase should be granted without a full hearing to determine the need therefor, and that the trucking lines in the territory affected are entitled only to a reasonable return on the fair value of their properties under economical and efficient management. It has submitted extensive exhibits and testimony to show the financial position of the carriers concerned. For example, it made a study of 51 carriers of general commodities in the Middle Atlantic territory and prepared figures to show that the rate of return on their properties after all taxes, including income taxes for 1948, was more than 28 percent, as compared with about 21 percent in the previous year. In the Southern case the requested increase was opposed because the figures available showed that during the first 9 months of 1948 the carriers enjoyed an annual rate of return on their properties

after taxes of 48 percent. There has been a general improvement in the profitability of the regulated motor-carrier industry as a result of the general increases in rates that have been granted and the growing volume of traffic. Its operating ratios, which reflect the relationship of expenses to gross revenue, were more favorable in 1948 than in any other year since regulation began in 1935. Most regions show average operating ratios of 93 percent or less, and some are below 90 percent. The rate level of these regulated motor carriers is of concern to the shippers of agricultural commodities not only because of the volume of agricultural traffic handled by them, but also because of the effect of these established rates on rates charged by unregulated truckers and by railroads.

When Congress enacted the Federal Motor Carrier Act, which among other things made the rates and routes of for-hire truckers subject to Federal control, it wrote into the Act certain exemptions. Among them was an exemption for haulers of agricultural commodities not including manufactured products thereof. In order to get the widest possible distribution of agricultural commodities, which, of course, is desirable from the point of view of both the farmer and the consumer, it is necessary to have as flexible a transportation system as possible. The number of trucks needed to move products from given producing areas varies considerably according to the season, and in order to maximize the outlets for the products these trucks must literally move to every point they can reach. Hence it is felt that the exemption of agricultural commodities from route control was a very desirable action. Moreover, in the trucking of these products competition has acted as a very satisfactory regulator of rates.

Over the years in its administration of the Motor Carrier Act the Interstate Commerce Commission has issued a number of rulings which have tended to cut down the scope of the exemptions on farm and food products below that which the farm and trade people have felt the law entitled them. To illustrate, the Commission has ruled that if a truck hauling agricultural commodities hauls some non-exempt commodity for pay on another trip, the entire operation of the truck, including that part of the operation in which only agricultural commodities are hauled, is subject to its rate and route control. Many agricultural people take the view that while the truck is hauling only agricultural commodities, it is exempt from such control. Furthermore, the Commission at various times has held that such operations as the Pasteurizing of milk; the beheading of shrimp; the shelling of peanuts; the killing and picking of poultry; and the washing, cleaning, and packaging of fresh vegetables in cellophane bags or boxes removed them from the class of unmanufactured agricultural commodities, thus bringing them outside the scope of the exemption established by Congress. Agricultural people, of course, disagree with this view, contending that such operations are not manufacturing operations. In order to clarify the situation the Branch in the previous fiscal year requested the Interstate Commerce Commission

to make a general investigation of the scope and applicability of the agricultural commodity exemption in Section 203(b)(6) of the Interstate Commerce Act and reach a decision which would clarify the confusion that existed as to when agricultural commodities lose their exemption. In June 1948 the Commission granted this petition, and a hearing began in Washington on November 9 and was completed in Atlanta in January 1949. The Department of Agriculture provided a number of technical witnesses, all highly specialized in their respective fields, who traced the treatment afforded all the important agricultural commodities at the various stages from the farms to markets, and classified more than 450 commodities as between unmanufactured and manufactured. In addition, it provided a complete list of official and unofficial rulings of the Commission regarding the status of various agricultural commodities under the Interstate Commerce Act, and in general took the position that an agricultural commodity remains an agricultural commodity until it is converted into a new and distinctive product, having a different name, character, and use. It contended furthermore that no type of packaging in itself constitutes manufacturing. In addition to the Department's witnesses in the case there were many other witnesses from State departments of agriculture and farm and trade organizations. The hearing record consisted of more than 1,500 pages. Neither the railroads nor the trucking lines presented direct or rebuttal evidence, but relied entirely on cross-examination to make their case. The Department and the interests working with it did everything possible to make a complete record to aid the Commission in clarifying the exemption question. Since the principle involved was so important to agriculture, the Branch undoubtedly put more effort into this case than any other transportation case in which it has been involved. Briefs were due on May 4, 1949, and the Department's brief consisted of 183 printed pages. At the close of the fiscal year the proposed report of the Examiner had not been released, but shortly thereafter this report, supporting almost entirely the position taken by the Department, was released. In effect, the Examiner proposed that the Commission rule that agricultural commodities as they leave the farm remain agricultural commodities until they are converted into different products, and that neither the packaging of an agricultural commodity in itself nor the performance of some treatment upon the product constitutes manufacturing. In the report the Examiner states that the legislative history makes it abundantly clear that Congress intended the exemption to be inapplicable only when the agricultural commodities are converted to manufactured products, and he points out for each major commodity group what does not constitute manufacturing. This recommendation of the Examiner, if adopted by the Commission, would result in the reversal of many previous rulings of Division 5 of the Commission and of the Bureau of Motor Carriers, such as their decisions that the following are not exempt: Fresh cut-up vegetables in cellophane bags; fresh vegetables washed, cleaned, and packaged in cellophane bags or boxes; shelled peanuts; poultry killed and picked though not drawn; leaf tobacco dried and redried; dried fruits; Vitamin D and Pasteurized milk; feathers; bulbs and ornamental plants; hides; logs; shrubs; cut flowers; nursery stock;

trees; peaches, peeled and pitted; and a number of others. It, of course, remains to be seen the extent to which the decision of the Commission will be in harmony with the Examiner's recommendations.

In addition to the above action before the Commission to clarify the status of agricultural exemptions from Federal rate and route control, the Department participated in a case before the courts on the same general subject. The Commission had held that a trucker transporting for compensation shipments of fresh headless shrimp packed in ice and frozen headless shrimp was subject to its control over rates and routes, and brought suit against this trucker engaged in these operations to enjoin him from continuing to transport such property without obtaining appropriate authority from it and having on file the required tariffs and schedules of rates. The Department took the position in the courts that the trucker hauling these products was exempt from Federal rate and route control, and therefore that no authority from the Commission was required. This view was sustained by the District Court and the Court of Appeals, and the case has not been appealed to the United States Supreme Court by the Commission. In another case a District Court held that a trucker hauling cotton for compensation did not lose his exemption by reason of his hauling a nonexempt commodity for compensation on the truck at different times. These two court decisions, together with the proposed report of the Interstate Commerce Commission Examiner on the general investigation of exemptions, support the position on the truck exemption issue taken by nearly all agricultural groups and vigorously supported by the Branch throughout the years.

In addition to the far-reaching actions of the types just described, the Branch participated in a large number of specific actions affecting individual commodities or commodity groups. There were some 18 cases affecting fruits and vegetables, 8 on fertilizer and fertilizer materials, 8 on cotton, 18 on grain and grain products, 10 involving livestock and livestock products, 7 on dairy and poultry products, 1 on wool and mohair, and 3 affecting fish and fishery products. Most of these cases involved railroad rates but some dealt with rates for transporting commodities by truck and by boat. Each was of considerable concern to the producers and distributors of the commodities affected. A few illustrations of the nature of these actions will suffice to explain the character of this phase of the work. In one, we attempted to get the Interstate Commerce Commission to order the railroads to provide protective service against cold, commonly called heater service, in the eastern part of the United States on an optional basis. Hearings were held in Boston, Chicago, Seattle, and Washington, in all of which the Branch participated, testifying on behalf of the Department as a shipper of perishable commodities and also in the interest of all shippers of agricultural products requiring heater service. As a result of these hearings the Examiner recommended that the Commission order the eastern carriers to provide the service prior to the 1949-50 season, and the Commission has ordered the service established on or before March 1, 1950. Other actions on fruits and vegetables

and eggs concerned the estimated billing weights that should be used in determining the freight bill. The Branch has taken the position that these estimated weights should be as nearly correct as possible, but that where weights that have long been used are adjusted upward, there should be a corresponding downward reduction in the rate, so that the revenue per car would not be changed. Still other cases concerned the charges for storage-in-transit privileges, the length of time that products might remain in such storage without the transportation charges being affected, and the places where storage-in-transit privileges are available. Discussions of the nature and results of the most important of these cases on individual commodities and commodity groups are contained in the chapter on the activities of the Transportation Rates and Services Division.

In all of these transportation rate actions it has been the purpose of the Branch to represent agricultural producers in presenting their side of transportation rate matters before the carriers and transportation regulatory bodies, in an effort to maintain reasonable rates on products of the farm and satisfactory transportation services for the distribution of such products. The carriers have well-trained people to present their side of such cases to regulatory bodies, being able, of course, to employ whatever talent they need for such purposes out of the revenues that they collect from the shippers in the form of freight rates. On the other hand, farmers and agricultural shippers for the most part do not have suitable talent to present their cases, and it was for the purpose of aiding them in doing so that the two legislative acts were passed authorizing the Department of Agriculture to carry on work in this field. Our transportation specialists know the problems of agricultural marketing as well as the freight rate structure and transportation regulatory policies and procedures. With this knowledge they are able to put into the hearing records information that adequately presents the side of the farmer and the shipper. Otherwise the regulatory bodies would not have a complete record, which, of course, is necessary if they are to reach the proper decision as to what the rate structure and rate level should be. No attempt is made by the Branch to go beyond the presentation of evidence on the side of the farmers and shippers, because in carrying on this work the Branch does not have, nor does it seek, any privileges in cases before regulatory bodies that are not accorded to all other participants. In the conduct of its work in presenting these cases, the Branch works very closely with farm and trade groups and various State agencies such as the departments of agriculture and public service commissions, so that the evidence on behalf of the farmers and shippers may be as complete as possible and properly coordinated. Practically all of the actions are supported by a number of these interested groups and in many cases witnesses are provided by them. Frequent consultations are held with representatives of the major farm organizations in order to discuss forthcoming transportation actions that concern agriculture and reach an agreement on the proper position for agricultural interests to take.

The effects of the 97 transportation rate actions carried on by the Branch during the year were felt in all the States, the number affecting each State, of course, varying to some extent. The growers and shippers in Texas were affected by 47 of the actions, while the number of actions affecting the other States ranged downward to a low figure of 23 for Nevada and Delaware. An effort has been made to measure the monetary benefits resulting from the rate actions participated in by the Branch either alone or in cooperation with farm, trade, and State groups, by computing for each case the difference between the rates sought by the carriers and those which they were permitted to establish, and applying these differences to the volume of traffic moving under the prescribed rate. The result of these computations shows that during the past 10 years the differences in transportation costs of farm and food products resulting from actions participated in by the Branch have amounted to more than \$1,500,000,000, not including the monetary benefits from a number of actions for which it was impossible to make estimates.

IX. MISCELLANEOUS TRANSPORTATION ACTIVITIES

In addition to the work carried on for the purpose of getting equitable freight rates and an adequate supply of transportation facilities for agricultural commodities, the Branch during the past year carried on a number of miscellaneous activities in the transportation field. It compiled nearly 35,000 freight rates upon request of 33 agencies within the Department of Agriculture to aid them in the carrying on of their programs. This service was rendered to these agencies in carrying out the Branch's function of serving as a central source of rate information for all agencies in the Department. At the end of the fiscal year requests were on hand for approximately 15,000 additional rates.

For the past 4 years the Branch has cooperated with the Association of American Railroads, the refrigerator car lines, the frozen food industry, the fresh fruit and vegetable industry, and others in designing an all-purpose refrigerator car that would give adequate protection to frozen foods as well as to other perishable commodities. Up to the present time a number of tests have been conducted on refrigeration, ventilation, and heat, and reports on them have been published. In a previous annual report mention was made of a laboratory test conducted by the Branch on a refrigerator car operated without ice or moving parts, using the split-absorption system of refrigeration, on which a report was published. It can now be reported that as a result of that test one of the major private refrigerator car lines has constructed several cars equipped with this new system of refrigeration, and that these cars are now ready to be subjected to over-the-road tests to determine their efficiency and cost of operation.

As in previous years, the Branch prepared for the Department Production Goals Committee a statement analyzing transportation and storage prospects for the coming year to be used in the determination of crop goals. These reports reviewed the situation as to the prospective supply of freight cars, trucks, and boats, as well as the adequacy of storage facilities.

During the war when supplies of ice were inadequate at times for the protection of shipments of fresh fruits and vegetables, at our request the Interstate Commerce Commission ordered the railroads to permit the use of half-stage refrigeration service at charges amounting to 78 percent of the full bunker service. This service and the charges therefor were published from year to year with an expiration date, but acting upon our request and requests of the produce industry the railroads during the past year canceled the expiration date for half-stage refrigeration service, so this service is now permanent from all origins in the country to all destinations.

During the fiscal year members of the staff of the Branch have served on a number of interagency committees dealing with various transportation subjects. These include the Interagency Advisory Committee on Aviation Statistics, the Transportation Subcommittee of the Interdepartmental Committee on Federal Statistics, the Transportation Subcommittee of the Interdepartmental Committee on Standard Industrial Classification, and the Task Group on Inland Water Transport of the National Security Resources Board. In addition, members of the Branch have testified before various Congressional committees on transportation subjects.

MARKET ORGANIZATION AND FACILITIES DIVISION

The functions of the Market Organization and Facilities Division are to develop plans for proper market facilities in producing areas and terminal and secondary markets and to promote the construction of such facilities; to determine the kinds of materials-handling equipment that will bring about the greatest reduction in marketing handling costs; to determine whether there are adequate warehousing facilities for handling farm and food products and to develop and carry out programs to meet shortages of such facilities; to determine the most feasible methods of collecting and disseminating market information on frozen foods; to determine warehouse capacity and issue regular reports on the quantities of various commodities in warehouses; and to compile and issue monthly reports on the production of margarine.

In the areas where farm products are produced, facilities are needed to assemble the products from the individual farms and prepare them for shipment to distribution centers. Such facilities usually consist of rather inexpensive buildings in which the products may be assembled, washed, graded, packed, and sometimes processed before loading them into cars or trucks for shipment to distant terminal markets. Where adequate facilities in the producing areas are lacking, farmers may be deprived of an outlet for products which they are capable of growing, or available outlets may not yield them the proper return. On the way to terminal markets many of the products must be stored for varying periods of time so that they can be fed into consumer channels more evenly throughout the year. For this reason, suitable warehouse facilities are needed in proper locations. When the products of the farms of the various producing areas reach the large terminal wholesale markets, their tremendous quantities create handling problems. In these places it is extremely important that suitable facilities exist in order to handle the products efficiently, to prevent deterioration and spoilage, and to encourage as many buyers as possible to come to the market for supplies.

Products have to be unloaded from cars and trucks, handled from one place to another within buildings, and reloaded for movement to the next place in the marketing channel. The personnel of this Division study the facilities in the various markets of the country, determine which kinds perform the marketing operation most efficiently, and develop plans for efficient facilities to give speedy and low-cost distribution. Their findings make it possible to reduce the cost of handling and expand the outlets for farm and food products.

Following is a brief discussion of the most important activities of the Division during the past year.

I. TERMINAL MARKETS

In the Nation's terminal markets the largest quantities of food are brought together in one place. Important markets usually

receive supplies from nearly all the 48 states, and it is there that the prices of farm and food products are established. That these markets function efficiently is therefore highly important.

It is common knowledge that in many of these large markets facilities are not efficient. The facilities for the wholesale handling of perishable foods, in particular, are generally antiquated and over-crowded. Frequently, instead of having a unified market where a complete line of products can be obtained, one type of commodity is handled in one part of the city, and another type of commodity is handled in another part. This leads to much cross-hauling and other expense. Sometimes supplies arriving by one railroad are sold in one market district, supplies arriving by another railroad in another, and supplies arriving by rail cannot be delivered directly into wholesalers' warehouses because the railroads stop short of the market district. Traffic congestion is commonplace. Many trucks bringing supplies to the market district or going there to haul them away cannot get near buildings for loading or unloading, and considerable portorage is necessary. Often the store buildings are not large enough to accommodate the commodities which should move through them; and they lack the refrigeration and handling facilities necessary properly to handle and protect the commodities. These are a few of the defects of the Nation's terminal markets which will have to be corrected before the Nation can have a truly efficient marketing system.

A major activity of this Division is to develop and promote the construction of efficient facilities in terminal markets. In order to determine defects, studies are made, upon request, of the conditions prevalent in a particular city. Conclusions are reached as to the design, size, and type of facility that will serve most efficiently. Estimates are made of the cost of constructing it and of the savings that would result from operating in it. Definite recommendations are made to all the groups concerned in a particular market, and following the presentation of the report continued assistance is given until the market facilities recommended have been constructed and put into successful operation.

During the past year the Division assisted in planning terminal markets in 13 cities. With the staff available for this work it has been possible to complete only a few of the necessary studies, although State and local people have rendered material assistance in the work carried on. Following is a brief statement on the status of the work conducted in each of the terminal markets during the year.

FOLLOW-UP ON PREVIOUS STUDIES

A. DALLAS, TEX.

For a number of years representatives of the Division have worked with officials and trade groups of Dallas in an effort to develop a proper wholesale produce market to serve that area. A large building to accommodate farmers was completed in 1942, and a similar second large building in 1945. A 16-store unit

section of a much larger building was begun in 1947, completed, and occupied by wholesale distributors in 1948. Plans are underway for the development of some 20-odd more store units for the use of additional wholesale produce dealers. Representatives of the Division have consulted with local officials on the construction and design of facilities pursuant to plans developed in previous years.

Because the market construction in Dallas has been piecemeal, officials of the city as well as representatives of the Dallas Chamber of Commerce have requested the Division to make a study of the wholesale produce market problem in order to determine the adequacy of existing facilities and assist in the planning of future ones. To this date, it has not been possible to make the Dallas survey requested.

B. NEW HAVEN, CONN.

A detailed survey of the wholesale produce market of New Haven was completed and published in December 1946. The report recommended that a new market be built on a 37-acre tract known as the Boulevard playground site. A few months after the report was issued, this site was procured for park and playground development. As a result of this action, the trade and other market interests have found it necessary to look for a new site. During the past year New Haven Bay was dredged. Land made available by such dredging is adjacent to railroads and certain other facilities, and reports of the local trade have suggested that this site might be utilized as a market site.

C. HARTFORD, CONN.

A report of the survey of the needs for market facilities in Hartford, Conn., was published in January 1948. The plans provided for a completely new and relocated wholesale market for the handling of all kinds of perishable foods. During the year the staff worked with members of the Connecticut Regional Market Authority and city trade groups in an effort to conclude the acquisition of land, the movement of power lines, and other activities preliminary to construction. The arrangement for the acquisition of the entire area has been completed and will provide a desirable location for a market.

Although arrangements for financing were completed more than a year ago, certain legal aspects of the legislation did not permit the leasing of certain facilities. It was therefore necessary for the Market Authority to go back to the Connecticut State Legislature for correction of these defects. It is understood that prospects are favorable in the present legislature for clearing up the legal defects of the act and that construction will be started in the near future.

D. RICHMOND, VA.

A survey in Richmond was completed and plans developed for a wholesale food market center to handle all types of perishable farm and food products. A report of the findings of this study and its recommendations was made to the Richmond Marketing Authority and local trade groups and published in March 1948. Difficulties have been encountered in the acquisition of the principal site, and certain other development problems encountered have delayed this development. Plans are underway for financing and building the market when determinations with respect to the site are made.

E. COLUMBUS, OHIO

In February 1948 the final report of a survey of the market facility needs in Columbus for handling produce at wholesale was released by the Branch in cooperation with the College of Agriculture of Ohio State University. Although the market interests in Columbus are in agreement that the wholesale market is defective and a new one is needed, as recommended in the report, the problem of what to do with the land and buildings in the present market has not been solved. Recognizing that this problem is one that can be solved only by local people, a committee composed of property owners of the market, real estate people, and city and county planners was established to undertake the solution. This committee met during the past few months, but reported that due to the illness of one of the important members, no progress was made. Thus, a new committee was designated to undertake the establishment of the market, as recommended, in cooperation with the city and certain other governmental agencies including the Franklin County Planning Commission. The Division consulted with this new committee in an effort to assist in the development of the market.

F. HOUSTON, TEX.

In June 1948, the final report of a survey of the market facility needs in Houston, Tex., for handling produce at wholesale was released by the Branch. A nonprofit private corporation has been developed. Arrangements for financing are underway, and consideration is being given to the development of a market on one of two sites considered in the report. This Division has consulted with the officials of the nonprofit corporation and assisted them in many ways in the problems of the market development.

G. CLEVELAND, OHIO

As a general rule, because of inadequate resources the Branch has not made studies of retail market facilities, but at the request of the Mayor of Cleveland, a study was made to find out whether a new public retail market, if built, could be made self-liquidating and to determine the type of market and the amount of facilities that would be needed, as well as the

location that would be most satisfactory. A report on this study was given to the officials of Cleveland in May 1948. In this report it was shown that a market could be built for less than \$900,000 and liquidated within a period of 25 years from the market revenues, provided roof and basement parking space could be leased to a private operator for an annual rental of \$28,000. In January 1949, at a meeting with city officials, it was found that it would not be possible to lease such space to a private operator at that rental and that construction costs for this type of facility had increased at least 10 percent since May 1948. Therefore, since the market cannot be liquidated, the city will not be able to build such a market at this time. The final report on this study is in the process of being written.

NEW STUDIES

H. ST. LOUIS, MO.

In June 1949 the final report of a survey of the market facility needs in St. Louis for handling produce at wholesale was sent to the processing rooms. This report was prepared in cooperation with the State Department of Agriculture of Missouri. In accordance with its recommendations the various trade groups have formulated a nonprofit private corporation and arranged for financing, building, and managing the market. Construction of the market should be underway within the next 60 days, and it should be available for occupancy during 1950. Division staff members are consulting with the officials of the corporations in these developments.

I. NORFOLK, VA.

During the past year, a survey looking toward the improvement of the wholesale produce market at Norfolk, Va., was made. In May 1949 a preliminary report was presented to wholesalers, farmers, railroad representatives, and city and State officials. The report recommended that a new wholesale market should be developed on one of four available sites in the city. When the preliminary report was presented, a lay-out of the market as recommended was set up by use of scale models.

The report pointed out defects in the existing market such as inadequate store buildings, lack of rail connections to stores, lack of farmers and truckers' facilities, narrow streets, serious traffic congestion, divided market facilities, lack of market organization, and long marketing hours. It recommended the building of 28 store units for fruit and vegetable dealers, 4 store units for poultry and egg dealers, 2 farmers and truckers' sheds, team tracks, parking space, and related facilities. A design of each facility was shown in the plan.

It was estimated that by the construction of the proposed market more than \$60,000 could be saved per year on such items as cartage, spoilage, and deterioration, even after making allowances for increased rentals in the new facility. The report recommended that a nonprofit private corporation be formed to

plan, finance, build, and manage the market. Since the presentation of the preliminary report in May 1949, the trade and farm groups have organized a nonprofit private corporation, and arranged for financing and other problems relative to the development of a market as recommended. Division staff members are consulting with the market interests in these developments.

J. BALTIMORE, MD.

At the request of the Market Committee appointed by the Maryland State Planning Commission, a survey of the needs for wholesale market facilities for fruits, vegetables, poultry, eggs, meats, dairy products, and other produce in Baltimore was begun in April 1948. The Commission was directed by the 1947 Maryland State Legislature to make a study and report on the needs for the improvement of the Baltimore market, and the Market Committee requested the Market Organization and Facilities Division to make this study. The requested report was made to the Market Committee in July 1948, and a preliminary report was made to the various trade groups during August 1948.

The preliminary report recommended the construction of approximately 176 wholesale store units, 80 farmers and truckers' sheds, auction building, office building, rail connections to stores, team tracks, and related facilities, at a cost of approximately \$5,000,000. It was shown that savings of about \$550,000 annually could be realized by the development of the market on a suitable site. A nonprofit public benefit corporation was recommended for financing, building, and operating the market.

Although the Maryland State Legislature has met during the past six months, appropriate legislation for the carrying out of the project has not been enacted.

Because of the need for certain additional work in connection with the study of the market in Baltimore and the inability of the Division to find time to do this work, the report has not been published, but it is anticipated it will be published within the next year.

K. MILWAUKEE, WIS.

A survey for the relocation and rebuilding of the wholesale food district of Milwaukee for the handling of fruits, vegetables, poultry, eggs, meat and meat products, dairy products, and other commodities was made during the past year by the Branch in cooperation with the Department of Agricultural Economics, University of Wisconsin. A preliminary report was presented to the interested groups in January 1949. The report recommended the construction of 77 wholesale store units, 80 farmers and truckers' sheds, rail connections to stores, team tracks, and related facilities on one of several available sites at a cost of about \$2,500,000. Particular attention was directed to a site now owned by the city of Milwaukee which would be suitable for such a development, and the city is interested in relocation of the market on this site. A nonprofit

public benefit corporation was recommended for the financing and operation of the market as provided by State law.

Hearings were held by the State Department of Agriculture on March 24, 1949, for the creation of such a corporation for Milwaukee. Representatives of the Division participated in these hearings, and they are consulting with the committee in an effort to assist in the development of the market.

A joint report will be published within the next 60 days by the Department of Agricultural Economics, University of Wisconsin.

L. INDIANAPOLIS, IND.

At the request of the wholesale fruit and vegetable trade, a survey of the need for market facilities for handling fruits, vegetables, meat and meat products, poultry, eggs, dairy products, and certain other commodities at wholesale in Indianapolis has been completed by the Branch.

In February 1949 a preliminary report on the study was presented to wholesale dealers, farmers, railroad officials, and city and State officials. A lay-out of the market as recommended was set up in the World War Memorial.

The report showed that on the basis of 1947 prices, the produce business in Indianapolis amounted to \$300,000,000 per year. Defects in the market were shown, such as split market, inadequate buildings, narrow streets, lack of parking area, lack of rail connections to stores, traffic congestion, long marketing hours, and lack of organization. The report recommended the building of a new market on one of two sites. It was recommended that 87 store units with rail connections, 180 farmers and truckers' sheds, team tracks with a 75-car capacity, and certain related facilities be built initially. A design of each facility was included.

A study of the proposed sites showed that the recommended market could be built at a total cost of about \$2,000,000, including cost of the land. It showed that by building the market annual savings of about \$800,000 should be realized. The report recommended that a nonprofit private corporation be established to plan, finance, build, and manage the market.

Since the presentation of the report in February, a nonprofit private corporation has been formed, procurement of the site has been arranged for, and consideration is being given to the financing and other details of the development. The report will be published during the coming year.

M. BOSTON, MASS.

At the request of the local trade and farm organizations, including the local branch of the National League of Wholesale

Fresh Fruit and Vegetable Distributors, the wholesale meat dealers association, and the wholesale poultry and egg association, together with the Commonwealth Market Authority, the Branch began a study of the entire wholesale produce market problem of Boston and its distribution area in October 1948. A preliminary report of the study was made to the wholesale trade and farmers, railroad officials, and city and State officials the latter part of June 1949.

The preliminary report recommended the building of a completely new market on about 170 acres in a new location. A total of 13 suggested market sites were considered, one of which, containing in excess of 170 acres located in the South Bay area of South Boston, appeared to be preferable. Figure 1 shows the proposed lay-out by use of scale models. This lay-out was set up in the conference room of the Boston Fruit and Produce Exchange in the Quincy Market Building during the time of the preliminary presentation of the report.

The facility recommended for Boston included 225 store units for handling fruits and vegetables; 192 store units for handling meats; 40 store units for handling poultry, eggs, and related products; and a produce auction facility, all of which would be provided with two sets of parallel tracks at the rear for direct unloading of rail receipts into stores. The report also recommended the building of 100 farmers and truckers' sheds, ample streets, about 1,200 parking spaces, and at least 45 acres for future expansion. The total estimated cost of the land and the recommended buildings would amount to about \$14,000,000.

The report recommended that either a public nonprofit or a private nonprofit corporation be created to build, finance, operate, and manage the market. Appropriate enabling legislation for the creation of a public market corporation is not now available in the Commonwealth of Massachusetts.

The survey showed that the market could be built and paid for by the dealers in the market and that annual savings of about \$4,000,000 could be realized. The principal cost of doing business in the present market results from the split market situation which greatly adds to the cost of buyers in the procurement of supplies. Because of the split market much cross-hauling of produce between dealers' establishments is required, which is costly in cartage, spoilage, and deterioration of produce and encourages theft of produce at each location.

The interest of dealers, the city of Boston, and others in the redevelopment of the Boston wholesale produce market was intensified by a proposed new highway project which will bisect the present Faneuil Hall Market area. This development will cause to be razed a substantial portion of the present market facilities in this main market and interfere with operations in the remaining facilities in that market area. Thus, it was the intent of the local groups to find out what could be done to consolidate all wholesale produce marketing of Boston in one area when it becomes necessary to discontinue operation in the Faneuil Hall area, which has been the principal market place of Boston for more than 200 years.

The final report on this study is in the process of being written.

N. REQUESTS FOR OTHER STUDIES OF TERMINAL MARKETS

At the close of the year requests were on hand for developing plans for terminal market facilities in a number of localities including San Diego, Toledo, Waco, San Juan and several other cities in Puerto Rico.

II. CONCENTRATION AND SECONDARY MARKETS

Conducting studies, planning facilities, and promoting the construction of concentration and secondary markets in specific localities is another major activity of this Division.

Concentration or assembly markets are markets where the products of the farm, ranch, or grove are concentrated in marketable volumes. They may be in rural areas or in cities. When located in a rural area, it is usually one of commercial production. In this case, the markets are sometimes referred to as shipping point markets, and practically all receipts are shipped out either by rail or by motortruck to more distant markets. When they are in cities, concentration markets may also provide a source of supply for local consumers, thus performing the functions of a terminal market. However, the majority of the receipts on city concentration markets are shipped out to more distant markets. City concentration markets may be either in areas of commercial production or along trunk rail and highway lines between the more important areas of commercial production and the relatively heavy consuming centers. Where the latter is the case, they are sometimes referred to as exchange or redistribution markets. In addition, to providing facilities for assembling, displaying, selling, and loading out farm and food products, a relatively large number of concentration markets provide facilities, and in some cases equipment, for washing, grading, sizing, packing, and icing these commodities.

Secondary or jobbing markets are the markets where the principal sources of receipts are nearby terminal markets. In this kind of market, receipts arriving directly from the areas of production are relatively small. Secondary markets may be either in the larger cities that have one or more terminal markets or in the smaller cities. Secondary markets in larger cities are usually patronized by buyers who prefer, because of the time required to visit the terminal markets and because of existing regulations thereon, not to patronize the latter kind of market. In the smaller cities where secondary markets are found, the volumes handled are usually insufficient to warrant full carlot receipts. There are indications that secondary or jobbing markets may become less important in the marketing system for perishable commodities than they are today, because of: (1) The continued expansion of motortruck transportation of perishables which makes it feasible for dealers



Figure 1.--Proposed market lay-out by use of scale models for Boston, Mass.

to receive less-than-carload lots directly from the areas of production and terminal markets and to distribute these commodities over a wider area than was previously possible; (2) the moving of terminal markets to more convenient locations and the improvement of facilities including provisions for streets of adequate width; (3) the growth of service-wholesaling and the consequent by-passing of secondary markets by such firms and chain stores; and (4) the impetus provided through competition for eliminating or minimizing handling costs such as cartage from terminal to secondary markets.

In many areas throughout the United States the lack of properly organized markets with adequate facilities is depriving farmers of an outlet for their products, lowering their returns on the commodities sold, impeding desirable shifts and adjustments in production, and increasing the total food bill of consumers. In a number of places the problem stems out of the fact that there are too many markets rather than from a complete absence of markets. In these localities duplicating services increase marketing costs, scatter or fail to attract the buyer with a resultant lack of competition and/or demand, and cause unnecessary travel on the part of farmers who go from market to market in an attempt to obtain a better price. However, the benefits from the development of proper organization and facilities in the localities where concentration markets are needed would not alone accrue to farmers and consumers. The trade also has a vital interest in better facilities, where it can operate more efficiently and where there are possibilities of expanding the volume handled.

The correction of defects of secondary markets in a number of cities should minimize handling costs and enable those who operate on such markets to handle efficiently complete lines during all seasons of the year, thus expanding outlets for farm and food products.

Assistance has been given to 16 specific localities during the past year in making studies, planning facilities, or promoting the construction of the facilities recommended. In those localities where studies and reports were completed during previous years assistance during the past year consisted principally of promotional work, although the management boards of new markets constructed in line with the Division's recommendation were assisted in the promulgation of regulations, in determining proper rental rates for various types of facilities, and in developing programs designed to obtain maximum use of the facilities. Requests for assistance in 12 additional localities could not be met during the year because of limited resources. A resume of the work in each of the 16 localities where assistance was given during the past year follows.

FOLLOW-UP ON PREVIOUS STUDIES

A. JACKSON, MISS.

On July 30 and 31, 1948, members of the Branch assisted the Mississippi State Central Market Board with the formal opening

and dedication of its new million-dollar market in Jackson. This market is patterned along the lines recommended by the Division in its report of June 1946. Initial construction consisted of a wholesale store building with 24 units, 2 sheds with a total of 50 stalls for farmers and truckers, a packing shed, rail connections, and an office building.

During the course of the opening ceremonies an equipment demonstration was conducted in cooperation with the Mississippi Agricultural Extension Service and equipment manufacturers to acquaint the wholesalers who were to occupy the new facilities with the operation and use of various types of materials-handling equipment and to assist individual dealers in the selection of equipment that would best meet their needs. Assistance was also given in the development of market regulations and in working out arrangements for the opening of the market.

Since the formal opening of the market, members of the Division have assisted the Market Board in the development of plans for the South's largest poultry dressing plant. This plant, which was completed and placed in operation on April 4, has a rated capacity of 35,000 chickens per day. It contains the most modern processing equipment available, including a sizing machine, and has both freezer and cooler rooms for holding dressed poultry. The plant has been leased to and will be operated by private enterprise. A view of this facility is shown in figure 2. A member of the Division attended and participated in the ceremonies at the formal opening of this plant on May 10.

Assistance was also given the management in developing plans for the opening of the farmers' section of the market. The plan adopted provides initially for two "market" days each week with a campaign to bring buyers and sellers together on those days. Market news representatives and extension marketing specialists stationed on the market are actively pushing these plans through spot radio announcements and through assistance to local farmers in grading, sizing, and packing commodities.

B. TRENTON, N. J.

At the request of the New Jersey Department of Agriculture, technical assistance was provided in planning a lay-out and designing facilities for a new farmers' retail market in Trenton. The new market, which was financed and constructed by a farmers' cooperative, consists of three sheds, containing a total of approximately 150 stalls, an office building, and three buildings constructed by concessionaires. The total cost of land and market buildings was roughly \$85,000. The new market was opened during the late summer of 1948.

C. MIAMI, FLA.

Assistance has been given in the development of building plans for a new wholesale fruit and vegetable market in Miami

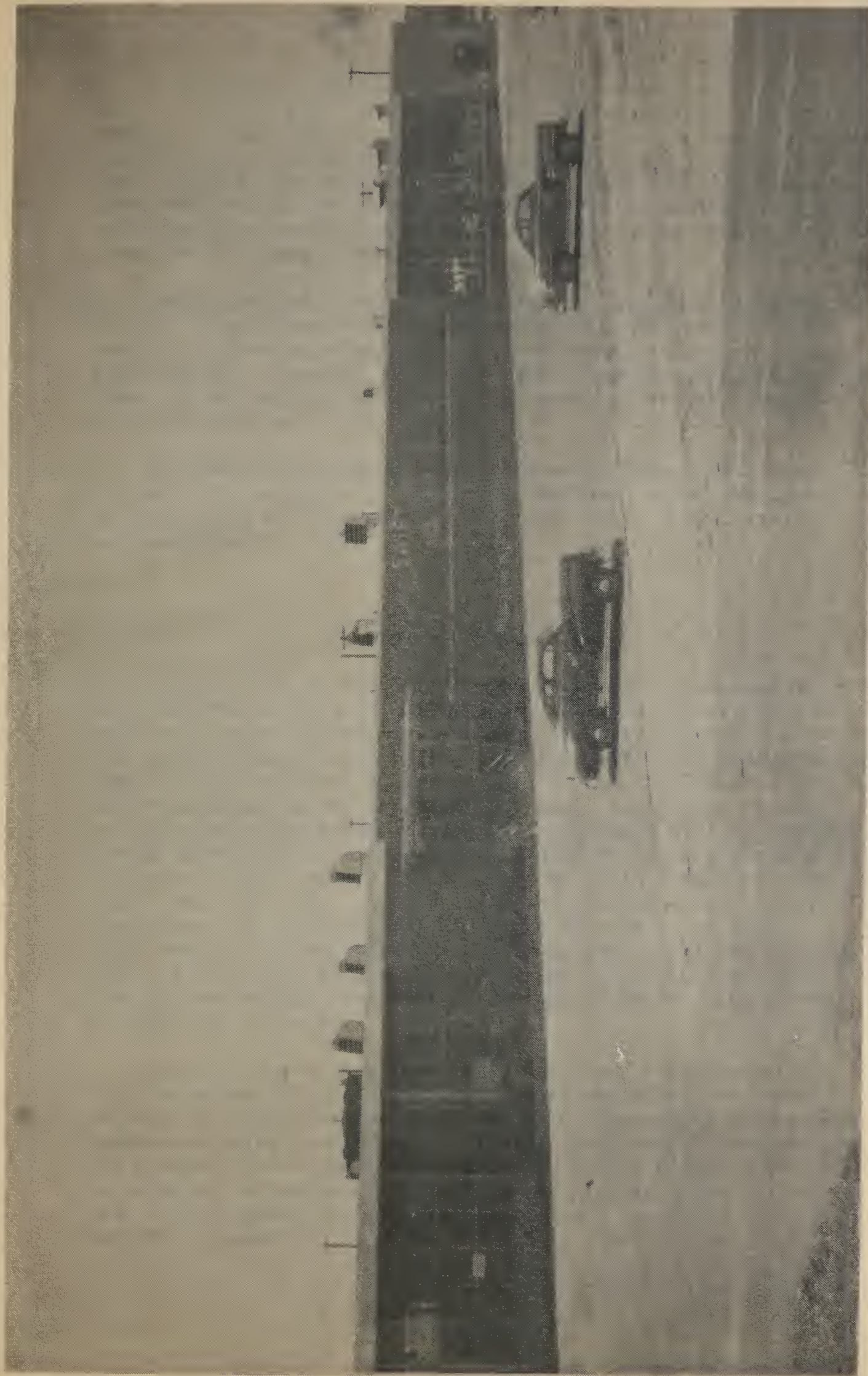


Figure 2.--View of the poultry dressing plant on the Mississippi
Farmers Central Market, Jackson, Miss.--1949.



to be built in the present market area. Initial construction, which is now underway, includes three buildings consisting of nine units each or a total of 27 wholesale stores. Construction work on one of these buildings has been completed, and it is now occupied by wholesalers. A view of the building is shown in figure 3. Each of nine store units in the building is 22.5 feet wide and 60 feet deep. A front platform 24 feet deep and a 12-foot rear platform add 36 feet and bring the total depth to 96 feet. Rail connections are provided alongside the rear platform.

Market improvements are being financed by the Dade County Growers' Cooperative Marketing Association, the present market owners. Completion of the market improvement program, as recommended, should result in annual savings of approximately \$267,000 in such items of cost as cartage, portorage, rent, pilferage, spoilage, and deterioration.

Following the release of its report in March 1947, the Division has continued to work with the Miami Market Management on technical problems and is giving such other assistance as was requested.

D. BENTON HARBOR, MICH.

At the request of the Board of Directors of the Benton Harbor Fruit Market, a study of existing facilities and operations was made and a report consisting of 52 pages, outlining the conclusions and recommendations, was released in June 1948. The Benton Harbor Market is an important shipping point market for fruits and vegetables produced in that area. Only a small percentage of the receipts are distributed locally. The principal type of facility needed on the market at present is a shed or loading platform in which buyers may temporarily hold the products purchased. Some expansion of the open sales area was also recommended. Recommendations for new facilities included 280 stalls or spaces under sheds of an improved design for buyers. Total cost of the market improvement program was estimated at \$583,000 of which \$246,000 represented the cost of additional needed land placed in condition to build.

During the past year new sheds have been constructed for the day buyers. The relocation and construction of the retail section of the market has been completed. The market improvement program is being carried out at the existing market site during the season when the market is inactive. Three to four years will be required to complete the improvement program, which is being made in accordance with the recommendations contained in the Division's report.

E. ATLANTA, GA.

A report consisting of 147 pages, which sets forth recommendations for remodeling and expanding the present State Farmers' Market in Atlanta as the central wholesale market for fruits, vegetables, poultry, eggs, and other perishable produce, was released in August 1947. The report recommended: (1) A rearrangement of the utilization of existing facilities, (2) the acquisition of 12 additional acres of land, and (3) the construction of 58 new wholesale store units all with direct rail connections. Total estimated cost of the market improvement program was roughly one million dollars. Estimated annual savings in handling costs were \$384,000. Some of the new facilities proposed have been constructed by the State on the 16 acres comprising the original site. Part of the 12 acres recommended for expansion has recently been acquired, and it is contemplated that additional store units for wholesalers will be constructed on it at an early date.

F. BATON ROUGE, LA.

In February 1948 a report consisting of 90 pages was published setting forth the joint recommendations of the Branch, the Louisiana Agricultural Experiment Station and Extension Service, and the State Market Commission for the proper type of perishable produce market in Baton Rouge and suggesting three sites that might be used. It was estimated that approximately \$200,000 would be needed to finance the facility. The annual savings in two items of handling costs were estimated at \$30,000. Following the release of the report, three bills were passed by the State Legislature to implement the program as follows: (1) Enabling legislation under which a public benefit corporation could be created to build and operate a market, (2) setting aside State-owned land for a market, and (3) granting an appropriation for market construction. Although the first of these bills was approved, the last two were vetoed. The Baton Rouge Junior Chamber of Commerce is currently investigating the possibilities of proceeding with a market construction program without financial assistance from the State.

NEW STUDIES

G. GREENVILLE, S. C.

The preliminary report, based on a study of Greenville's wholesale market system for fruits, vegetables, poultry, and eggs, was presented in August 1948 to the local groups requesting the study. Recommendations were made for a new market to consist initially of one store building with five units for wholesale produce dealers and one shed with 29 stalls for farmers and truckers. A \$98,000 contract was let by the Greenville County Market Commission in October 1948 for the construction of the facilities recommended on a site which had been purchased before the study was made. At the time the market was officially opened on June 17, 1949, all of the farmers and truckers' stalls and all of the store units had been leased on a permanent basis. A view of the market is shown in figure 4. Negotiations are now under way to build approximately three new store units to meet the demand for additional space.

The final report consisting of 46 pages was released in June 1949.

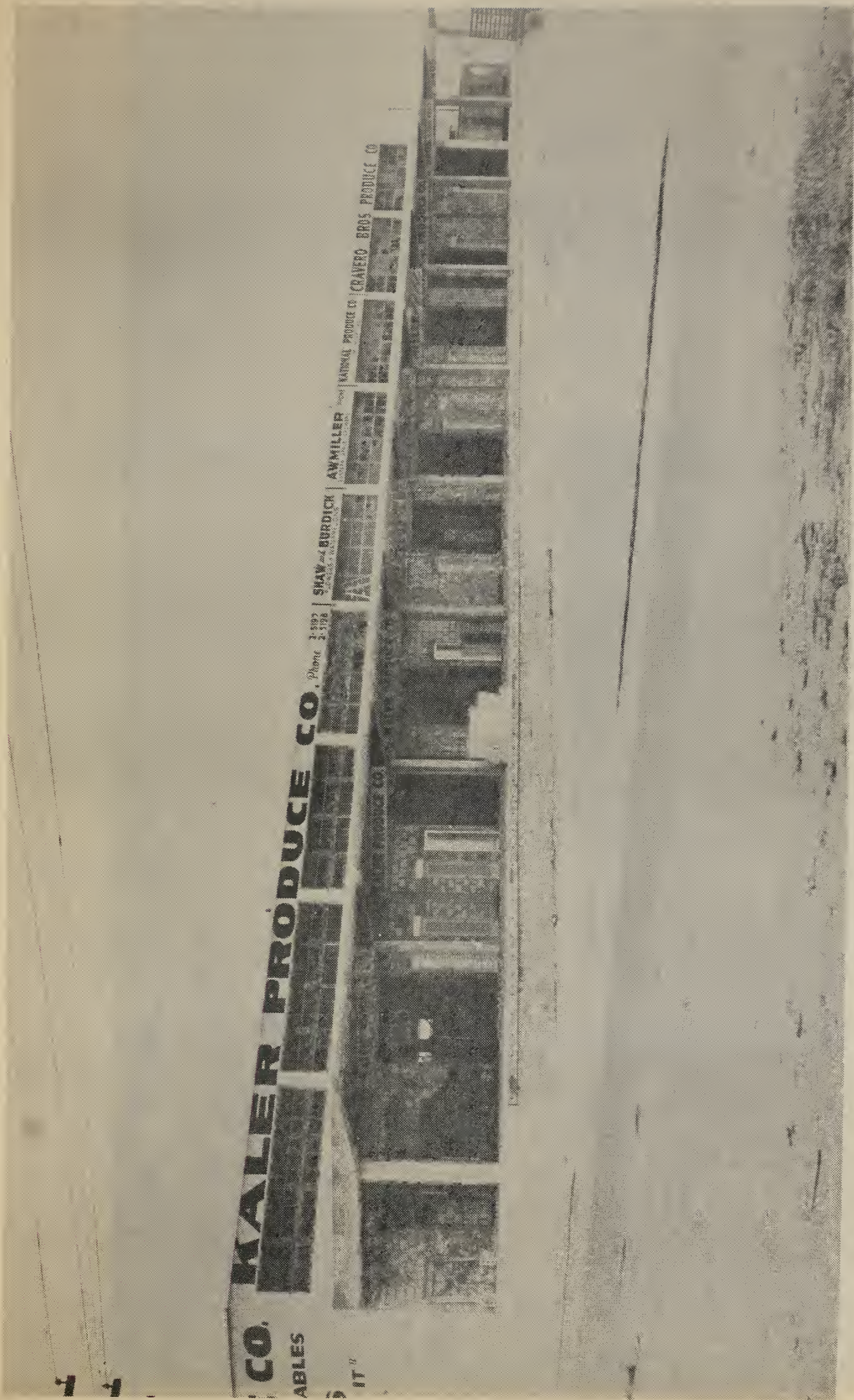


Figure 3.--One of the three new store buildings for produce wholesalers on the Dade County Growers' Cooperative Association Market, Miami, Fla.--1949.



Figure 4.--A view of the Greenville, S. C. wholesale produce market which was opened on June 17, 1949.

H. LEESBURG, FLA.

A preliminary report covering the conclusions and recommendations in regard to the feasibility of establishing a new wholesale shipping point market for fruits and vegetables in Leesburg was presented to interested groups in that city during February 1948. The report is now in final form, and copies should be available for distribution early in July 1949. Although the report describes the kind of market that Leesburg might need, provided the three existing markets in that area are consolidated and agreement reached as to the use of that city as a trading center, it does not recommend that facilities be constructed at this time.

I. MELBOURNE, FLA.

At the request of State marketing officials a study of the market facility needs in Melbourne has been completed, and copies of a memorandum containing the findings, conclusions, and recommendations made available to individuals directly interested. No report for general distribution will be issued, since an analysis of data collected shows that there is insufficient commercial production in the area to operate a market and that there are already available market facilities to meet present needs.

J. COLUMBIA, S. C.

A study of the city's produce market, requested by the Mayor and City Council of Columbia, has been completed, the conclusions and recommendations discussed with all interested parties, and the final report consisting of 120 pages released in January 1949. The market recommended consists of 34 wholesale stores, 120 stalls for farmers and truckers with additional parking space for 450 motor vehicles, rail connections, etc. The cost of constructing the facilities recommended was estimated at \$573,000, excluding the cost of land. The annual savings in handling costs in the new facility were estimated at \$382,000. The Mayor and City Council have proposed that the new market be financed and operated by the State and have offered to provide an adequate site. A member of the Division met with interested groups on two occasions during the year to assist in developing a program for financing a new market. Briefly, this program would provide for an initial appropriation by the South Carolina General Assembly of roughly 25 percent of the total cost of construction and land improvement costs with the remainder to be financed through the sale of South Carolina Marketing Commission revenue bonds or warrants. The commission would operate the new facility.

K. GREATER LITTLE ROCK, ARK.

In January 1948, a study of the wholesale produce markets in Greater Little Rock was inaugurated in cooperation with the Arkansas Agricultural Experiment Station, State Bureau of Research, and the State Resources and Development Board, at the request of the Arkansas Economic Council and Little Rock Chamber of Commerce. A report

covering the conclusions and recommendations was completed in preliminary form and presented orally to interested groups in Little Rock in September 1948. The report consisting of 75 pages was put in final form just prior to the end of the year, and copies should be available for distribution early in August 1949.

It was recommended that a site containing 25 acres of land be obtained for the development of a new wholesale market facility to service the Greater Little Rock area. Such a market would provide facilities for wholesalers, farmers, truckers, and other food handlers requiring space. The new market should consolidate to a greater degree the wholesaling of produce which is now scattered in three different locations in North Little Rock and Little Rock. It would also provide rail facilities and should be readily accessible to major highways over which much of the perishable produce is now transported. The estimated cost of constructing the facilities needed now approximates \$435,000, excluding land.

Such a market properly located and with the new store facilities designed to meet the needs of the various food wholesalers should reduce the costs of marketing perishable foods in the Greater Little Rock area roughly \$86,000 annually.

The organizations requesting the study are currently giving consideration to a program for financing the facility and to the companion issue of types of ownership.

L. TULSA, OKLA.

At the request of the agricultural committee of the Tulsa Chamber of Commerce, and in cooperation with the Oklahoma State Board of Agriculture, a study of the needs for wholesale fruit, vegetable, poultry, and egg marketing facilities was inaugurated February 15, 1949. The data obtained from the survey have been analyzed and a preliminary report prepared. On June 21, 1949, a summary of the preliminary report, which included the results of the survey and recommendations for market improvements, was presented to the board of directors of the Tulsa Chamber of Commerce. This was followed by a meeting open to all interested groups and individuals for a similar purpose. The report recommends the improvement of the present Trenton Street market and strongly recommends against the construction of a new market at a new location.

A modern market with efficient facilities for handling produce on the present Trenton Street Market site would cost about \$646,000 including the cost of the 20-acre tract between Trenton Street and Peoria Avenue. In addition to the seven wholesale fruit and vegetable store units which are now located in the market area and which can be utilized as part of a new facility, the following new facilities were recommended: 10 fruit and vegetable and 4 poultry and egg wholesale store units, a farmers' market shed with 56 stalls, a truckers' market shed for year-around operations with 44 units, and an administrative building which would include an office, communications center, restaurant, and cafe.

It is estimated that the new market will handle about 4,000 cars of produce annually at an estimated savings of about \$93,000. Most of the savings would be effected in the cost of cartage and in the spoilage and deterioration losses resulting from present operation in inefficient facilities.

The agricultural committee of the Tulsa Chamber of Commerce is now discussing ways and means of financing the proposed market. One method tentatively proposed is to include the cost of the produce market project in a bond issue which includes the finances for several other civic projects. It is anticipated that the bond issue will be voted upon in the fall of the year.

M. SAN ANTONIO, TEX.

At the request of the Chamber of Commerce, a study has been made of the wholesale market facilities in San Antonio for fruits, vegetables, poultry, eggs, and meats, and the conclusions and recommendations discussed with all interested groups. Although the final report will not be released until late in 1949, it was recommended that 80 acres of land be acquired for new market facilities, one-half for immediate use and the remainder for expansion. Facilities recommended for initial construction consist of 60 wholesale houses with main floor and basement; 300 stalls under sheds for farmers and truckers; a shed for grading, packing, and icing; team tracks; and offices. The total cost of the proposed market, including land, would approximate two million dollars. The estimated annual savings in handling costs would approximate \$400,000. A nonprofit private corporation has been formed to finance and operate the market, and its officials have already obtained an option on a site, arranged financing, and have raised from its membership roughly three-fourths of the funds needed to assure the inauguration of construction work. It is contemplated that a contract will be let during 1949.

N. SAVANNAH, GA.

A study of the Savannah marketing system for fruits, vegetables, poultry, and eggs was completed and a meeting was held with interested groups in November 1948 to discuss preliminary findings. This project was conducted jointly by the Marketing Facilities Branch, the Georgia Agricultural Experiment Station and the Georgia Agricultural Extension Service at the request of the Mayor's Market Committee and the Savannah Wholesale Farmers' Market Association.

The City Market was the only market place available to farmers, truckers, and dealers, after closing of the wholesale Farmers' Market in 1946 by terminated lease. Due to the congested downtown location of the City Market, many vehicles cannot be accommodated, and handling operations are costly.

The market plan, for immediate construction, as recommended in the report, includes one new store building of 12 units with

rail connections and team track, one shed of 30 stalls for farmers and truckers, and parking spaces for 214 vehicles. The program for future expansion provides for added stores, stalls, a packing shed, and other improvements. The most desirable location was found to be somewhere near the Traffic Circle on the west side of the city where several sites are available. The total estimated cost of the market on one of these sites was about \$180,000.

As a result of preliminary recommendations, several wholesalers were appointed to join the farmer members of the Mayor's Market Committee. An attorney was selected to arrange for incorporation, land options, and financing agreements.

O. RALEIGH, N. C.

Produce marketing facilities were studied in Raleigh in response to requests of the Mayor, City Commission, and the Chamber of Commerce in cooperation with the North Carolina Agriculture Experiment Station and the State Department of Agriculture. The survey was divided into two parts; first, to answer the immediate city problem concerned with the existing city retail market for fruits, vegetables, meats, poultry, eggs, butter, and other produce, and, second, to determine the need for and, if a need was found, provide plans for a market which would meet the city's needs. On the first part, city officials wished to determine what action should be taken with respect to the continuation and improvement of the existing retail market. Recommendations and conclusions in the form of a preliminary report were presented in three meetings to interested groups and the public in March 1949. It was emphasized that action with regard to the retail market should be tied in with long-term plans for a wholesale market. It was recommended that the present City Market should remain open unless and until a new market is constructed and in operation. It was also recommended that on a new market retail sales by farmers should be permitted. This conclusion was based on the the needs as expressed by farmers, dealers, and Raleigh householders.

Although wholesalers in Raleigh handle three times as much fruits and vegetables as are consumed locally, operations are handicapped because there is no wholesale market place for farmers and truckers other than the streets in the vicinity of the retail market. Extreme congestion and lack of adequate handling facilities have raised the need for an organized market to correct existing defects and reduce costs.

The report listed facilities needed on a new market for immediate construction and others for possible future expansion. Initial plans on the new market included 8 wholesale store units with rail connections, 40 farmer and trucker stalls, parking for 150 vehicles, and an administration building, on a 12-acre site. The total estimated cost including the land would approximate \$229,000. Savings in handling costs would amount to roughly \$50,000 annually.

The final report should be available for distribution by October 1949.

P. TYLER, TEX.

A study of the produce marketing system of the Tyler-Jacksonville area was inaugurated in June 1948 in response to a request from the Heart of East Texas Agricultural Council. Most of the data needed were collected during that month, but additional field work was undertaken in February 1949 and a progress report made to the Council. On the basis of this report the Council has authorized the optioning of a suitable market site pending the results of a preliminary report on the amount and type of facilities needed. The facilities recommended for initial construction will be limited to those normally found at a shipping point type of market and will include an auction block and a farmers and truckers' shed at which produce can be held temporarily for loading on trucks and railroad cars for shipment.

The final report will be ready for publication before the end of the fiscal year 1949-50. It will be a joint publication in cooperation with the Agricultural and Mechanical College of Texas.

Q. OTHER REQUESTS FOR CONCENTRATION AND SECONDARY
MARKET STUDIES

Requests for assistance in planning markets in 12 additional localities have been received. These localities are Ollahoma City, McAlester, and Muskogee, Okla.; Fort Smith and Fayetteville, Ark.; Shreveport and Lafayette, La.; Montgomery, Ala.; Muskegon, Mich.; Jupiter, Fla.; Louisville, Ky.; and the entire State of West Virginia. In West Virginia it is contemplated that studies would need to be made in at least six cities or areas.

Because of the necessity for continuing work in some of the 16 localities where assistance was given during the past year, it is not contemplated that all 12 requests can be met during fiscal year 1950.

III. REFRIGERATED WAREHOUSING AND
FOOD-HANDLING FACILITIES

The work of this Division related to refrigerated facilities for the handling of perishable foods may be broadly divided into two parts. First, data are compiled monthly showing inventories of perishable foods in cold storage warehouses. Allied to these statistics are a number of other reports relating to capacity, availability, utilization, and occupancy of refrigerated space. In the second place, the Division has undertaken a number of research projects designed to effect an improvement of refrigerated facilities in the marketing channel for frozen foods and other perishable products.

A. COLD STORAGE REPORTS

1. Regular reports.

a. Monthly cold storage report. During the past fiscal year under its Market News project the Division released monthly figures on stocks of some 87 different foodstuffs in storage. This information is widely used as market news and reaches the public through Production and Marketing Administration Area Information Offices, the press, and through direct mailing from Washington. It is estimated that through these outlets, the data published in the Cold Storage Report have a distribution approximating 316,000 annually. Not included in the above news channel, however, are the reprints of selected data in the report appearing in trade paper channels, market news releases in the various commodity groups, and radio broadcasts, such as prepared by food editors and broadcasters in many areas throughout the Nation.

The monthly Cold Storage Report, now in its 34th year, serves many groups in the food field and others associated in the financing and servicing of food production, storage, processing, and marketing of our Nation's agricultural perishables. Also interested in our market news data and currently receiving the Cold Storage Report are persons in Mexico, India, France, England, Uruguay, New Zealand and Morocco.

Commodity developments reported to the users of the Cold Storage Report in the monthly release during the past fiscal year briefly stated were as follows:

When compared with the nearest 5-year monthly average, fresh apples and pears in storage each month during the fiscal year were below average. Also below average during this period were monthly storage stocks of shell eggs, frozen eggs, and frozen poultry. On the other hand, monthly holdings of frozen vegetables in storage were greater than the 5-year average from November to February of the fiscal year. Cream stocks fell below average quantities in storage beginning with the last quarter of the fiscal year, while butter stocks were consistently below average from July 1948 to May 1949. Total meats in storage were erratic in their movement in and out of storage. More times than not during the year, however, total meats in storage exceeded the respective 5-year average monthly storage holdings.

The volume of foodstuffs which the Nation's refrigerated warehouse operators have been called upon to store each month has been much lighter during this fiscal year than during the war years. The competitive nature of the industry thus focused a great deal of attention each month on the data on space utilization in refrigerated warehouses. During the past year the monthly average occupancy of public refrigerated cooler space was, 57 percent. Freezer space in public warehouses had an average monthly occupancy of almost 70 percent. Supplementing space utilization information in public refrigerated

warehouses for both cooler and freezer space, the Cold Storage Report provides comparable data for private and semi-private warehouses and for storage space in meat-packing plants.

b. Cold storage stocks of selected frozen fruits and vegetables, by package size. The Division, under the Research and Marketing Act, issued during the fiscal year on an experimental basis a monthly report on selected frozen fruits and vegetables in storage by package size. The three frozen fruit items and six vegetable items, selected by the Frozen Food Packers Association in cooperation with the National Association of Refrigerated Warehouses, were reported as to the portion of total stocks in storage packaged for retail use and institutional use. This information has been helpful to the packers of frozen fruits and vegetables in planning their production for the various outlets.

c. Frozen fish report. Many of the public cold storage warehousemen currently reporting to the Division agricultural products in storage also store frozen and cured fishery products, market news on which is of importance. During the fiscal year, the Division cooperated with the Fish and Wildlife Service, Department of Interior, in compiling statistics on fishery products frozen and quantity of frozen and cured fishery products on hand each month. By enclosing with the Division's regular form for reporting agricultural products in storage an additional schedule for reporting fishery products, two reports were thus served by one mailing list. These fish schedules, when returned to the Division, were sent to Fish and Wildlife Service for tabulation. Monthly totals of fishery products in public and private cold storage warehouses were carried regularly during the fiscal year in the Cold Storage Report. A more detailed report was released by the Department of the Interior.

d. Margarine production report. During the 1948-49 fiscal year, monthly production reports for margarine were released to the trade and allied industries. All margarine producers are cooperating in the preparation of this report which shows production as to animal or vegetable oil and whether colored or uncolored. Approximately 1,800 copies of the report are mailed annually by the Division to individuals who have requested this report. The early release date, which is at least a month sooner than any other source, makes the Division's report especially valuable to margarine producers, Government agencies, research institutions, and others on the mailing list.

2. Special report on tree nuts in cold storage. The Division cooperated with the Fruit and Vegetable Branch during the fiscal year by compiling for their use statistics on several classes of tree nuts in storage. The collection of these data was necessary to aid in the determination of marketing quotas of walnuts under authority of the Agricultural Marketing Agreement Act of 1937 and to inform the trade of current holdings of tree nuts by kinds. It is planned that this survey will be made once a year on July 1, which is the peak month for storage holdings of tree nuts.

3. General publications

a. Annual summary. The fourth of a series of annual summaries was released in March 1949. This publication shows first-of-the-month holdings of various commodities for the 1948 calendar year by regions. In addition, 5-year average monthly data are included for comparative purposes.

b. A survey of the capacity of cold storage warehouses in the United States. In September 1948, the fourteenth of a series of space surveys of refrigerated warehouses, made biennially since 1921, was released by the Division. This survey shows total refrigerated warehouse space capacity in the United States by regions, States, and selected cities. Refrigerated space by temperature ranges are shown in detail as is space classed as public, private, and semi-private, and space operated as meat-packing plants.

c. Other services. During the year, the Division was called upon by various organizations, trade associations, research foundations, and the like for selected data which were available in the Division's records. Such requests as monthly storage occupancy for earlier years, historical data of storage stocks, etc., were often made throughout the fiscal year. These data were supplied as requested.

B. FROZEN FOOD FACILITIES AND MARKET INFORMATION

During the fiscal year 1948-49 the general study of frozen food handling facilities initiated the preceding year under the Marketing Farm Products appropriation was brought to completion. Two new projects were undertaken under the Research and Marketing Act: (1) A survey of frozen food facilities in Arizona to determine what improvements are needed; and (2) a survey of the Market News available and that needed for frozen foods.

1. General frozen food study. This general study of frozen food facilities, begun in 1947, was completed for publication in June 1949. As pointed out in previous annual reports the Marketing Facilities Branch made this study of the frozen food industry to find out what types of facilities and methods for handling frozen foods seemed to be most efficient, and to determine inadequacies of existing facilities. In making this inquiry consideration was given to facilities at every step in the marketing channel. Many packing areas were visited. Numerous refrigerated warehouses were surveyed with a view to learning what types of storage facilities were being used and which seemed to be best equipped for frozen food warehousing. The facilities of over 315 wholesalers were visited in 50 cities of key importance as terminal food markets. About 300 retail stores in all parts of the country were visited to determine the nature and use of various types of frozen food display and storage cabinets. Many primary distributors, brokers, and transportation agents were interviewed in order to complete the picture of frozen food distribution and to establish better bases for determining the type of marketing facilities needed.

The report includes descriptions and analyses of methods and facilities used at every stage of frozen food marketing; and indicates that the frozen food industry is in a position to increase its importance in the perishable market if it handles its products efficiently. Its future expansion will depend to a great extent upon lowering distribution costs through improved efficiencies in the methods and facilities used in the marketing channel. Immediate work needs to be done to improve facilities in certain parts of the marketing channel. There is urgent need for improvements in transportation facilities before frozen foods can be adequately hauled long distances at zero degrees F. Certain changes are needed in the refrigerated storage facilities in order to minimize storage and handling charges.

Wholesalers are generally operating in plants designed for handling commodities other than frozen foods, and consequently their facilities are not conducive to efficient marketing. One factor limiting the development of the industry at present is the inadequate facilities for handling frozen foods in retail stores and in institutional and industrial concerns. The use of delivery facilities could be more efficient if studies were made to determine the best design of trucks and the best methods of delivery.

The increase in the number of home freezers in American homes and the further development of the locker plant could have a profound effect upon our entire food marketing system: consequently these facilities need further study to determine how they may be used most effectively.

A report of this general frozen food study is being made available to the public, and already the study has met with interest from groups in all types of food industries and from various colleges and private firms doing marketing research.

2. A research project on the use of locker plant facilities and services in Arizona. At the request of the frozen food industry in Arizona, a research project is now in progress to learn how frozen food locker plant facilities and services can be used most advantageously to expand and improve the distribution of frozen foods.

The Branch's participation in this project is due to the growing importance of frozen food locker plant facilities and services in the marketing of frozen foods. Any improvements in the facilities and methods used to market frozen foods by locker plants in Arizona should be a contribution to the rest of the industry throughout the United States. The study is being conducted in four phases.

a. A survey is being made of the 34 locker plants in Arizona to study their existing plant lay-outs; the facilities they have for processing, freezing, and storing food products; and the extent to which they service families with home freezers. The field work has been completed for this portion of the over-all project; the data obtained are now being analyzed, and soon a report will be written on the findings.

b. A second phase of the project is a survey of a representative number of locker plant customers in Phoenix and the surrounding Salt River Valley area. The objective of this phase of the study has several aspects: (1) To learn the extent to which families rent frozen food lockers in addition to having a food freezer in the home; (2) to determine the sources of frozen food supplies, packaging materials, and containers for these families; (3) to ascertain the effect of variations in family and home conditions on the purchasing or renting of frozen food storage facilities-- both at the locker plant and at home; (4) to determine the extent to which locker renters and home freezer owners are familiar with frozen foods and processing services offered by locker plants. This study is based on the belief that locker plants are in an advantageous position to supply consumers of frozen foods adequately with processing and other services, freezing and storing facilities, packaging materials and containers, commercial frozen foods or fresh meats for freezing.

This phase of the project is being conducted in conjunction with the University of Arizona and Arizona State College. From November of 1948 to June of 1949 over 500 home freezer owners and locker renters were visited, and usable questionnaires were completed on 382. These questionnaires have been machine tabulated, and the data are now being analyzed for writing a report.

c. In the third phase of the study records are being kept by 300 home freezer owners and 100 locker renters. After a year these records will show how home freezers are used with and without locker plant affiliation. The University of Arizona and Arizona State College are also participating in this phase, and seven locker plants in or near Phoenix are keeping detailed records on the amount of foods and services bought at their plants by home freezer owners. Records will be kept until definite patterns of home freezer and locker plant use are determined.

d. Some of the data gathered by the Marketing Facilities Branch and the University of Arizona in connection with the three phases of the work mentioned above are being used by the University of Arizona in a fourth phase of the work. This is a detailed study of the home economics aspect of a family having a home freezer and using facilities and services made made available by locker plants.

3. Frozen food market news study. It is necessary to have adequate information on supplies and prices in order to conduct a successful business in the buying and selling of any food product. Some market information is currently being published by the Federal Government on fresh and canned fruits and vegetables, poultry, livestock, meat, dairy products, fish, grains, and other products, but the only reports issued on frozen foods are monthly reports of the total stocks of frozen foods in refrigerated warehouses and the experimental report referred to previously which shows a breakdown of these stocks by container size for 9 fruits and vegetables. Frozen food trade associations

and trade magazines publish a certain amount of statistics that may be of help to the industry, but it is felt that much of this material--both governmental and private--should be improved and coordinated before it can be of much value.

Last year this Branch initiated a study under the Research and Marketing Act to determine what statistical information is needed by the frozen food industry to facilitate the planning of its production and the marketing of its products through the channels of distribution, and to determine the most feasible methods for gathering this needed information.

The study thus far has consisted of:

1. Holding a conference with key members of the frozen food and other industries to determine what general procedure should be followed in making a study of frozen food market news.
2. Surveying Government statistics to determine what data are already being gathered on frozen foods and of what value they might be to the people interested in the frozen food industry.
3. Surveying frozen food market information published by trade associations and trade magazines.
4. Studying the nature of present market news reports on other food commodities in order to see how techniques already in use might be applied to gathering information on frozen foods.
5. Visiting frozen food trade associations' offices and interviewing local frozen food brokers and wholesale distributors to get their reactions to the needs, uses, and problems of reporting frozen food market news.

In determining what frozen food statistics are presently available the Division checked to see how complete was the information, who collected it, and how it was collected. In visiting interested trade associations an effort was made to get their thinking as to the general needs for each particular segment of the industry. In regards to interviewing local representatives of the trade an attempt was made to get a better understanding of the basic needs and problems of those persons whose cooperation will make an information service possible and who will use and benefit from such a service.

The findings of this exploratory investigation will be written as a preliminary report which will be used as background material by a second conference of frozen food representatives who will decide what information is of sufficient value to warrant further study.

IV. MATERIALS HANDLING STUDIES

For a good many years the spotlight has been focused on the mechanization of farms or on the mechanization of the production of agricultural commodities. Until recently very little thought had been given to the "mechanization" of the handling of these commodities in the marketing channel, through the use of modern materials-handling equipment, even though labor costs account for a large and increasing part of the total marketing bill for farm and food products. Mechanization applied to marketing has the same general objective as it does when applied to production-- to increase the productivity of labor--and, percentage wise, the possibilities for reducing labor costs appear to be as great when applied to marketing as when applied to production.

In the past, when wage rates were lower, labor costs did not loom so large in the total marketing bill as they do today. As a consequence there was less incentive, and perhaps fewer possibilities, for reducing these costs. However, Department studies show that one of the principal reasons for increases in marketing costs is the steady increase in hourly wage rates and in the amount of labor required for performing the various marketing operations. Such increases have made it necessary for the handlers of farm and food products all the way from the producer to the consumer to increase their charges. Such increases are, of course, reflected in lower returns to growers or in higher prices to consumers.

The possibilities of reducing the total amount of labor required in handling farm and food products through the construction of properly designed facilities, and the progress made in promoting construction, have been reported in previous sections. However, with the realization that proper facilities alone are not sufficient in achieving maximum efficiency in handling operations, studies have been initiated by the Division to determine the possibilities of reducing the costs of handling farm and food products through the use of various types of labor-saving equipment and to provide a basis for recommending to the various handlers of these commodities at various stages in the marketing channel: (1) The kinds and amounts of equipment needed most efficiently to perform the handling jobs, and (2) the methods by which such equipment may be more efficiently utilized. Initial work in this field is being limited to two commodity groups-- fruits and vegetables and cotton.

A. FRUITS AND VEGETABLES

Because of the many outmoded facilities used for marketing fresh fruits and vegetables and the high costs associated with the poor handling methods normally used at these facilities, the need for the introduction of proper materials-handling equipment becomes increasingly necessary if costs are to be reduced. With this so apparent, a study is being conducted in cooperation with the industry to determine the possibilities of reducing costs of the necessary physical handling in the marketing channel, through the use of various kinds of materials-handling equipment. It is obvious that a laborer using 2-wheel hand trucks, 4-wheel hand

trucks, skids, pallets, fork-lift trucks or conveyors can handle a larger volume or tonnage per hour than he can handle manually. But, the problem is to find out what kinds of equipment will bring about the greatest reduction in handling costs for each type of package under each situation where commodities are moved or handled.

Since the number of different packages used for fresh produce exceeds 650, an almost unworkable figure if each were to be studied, it was decided for the purposes of this study to limit the number of package types to a representative number of those used most extensively. Present work is confined to unloading and placing in storage or market buildings of eight package types. These are: Apples in bushel baskets, cabbage in 50-pound bags, citrus in standard boxes, potatoes in 100-pound bags, bananas on stems, beans in bushel hampers, lettuce in L. A. crates, and tomatoes in lugs.

Materials-handling equipment on which data are being collected are confined to six types. These are: Manual or no equipment, 2-wheel hand trucks, 4-wheel hand trucks, skids or pallets and fork lifts, conveyors, and conveyors in combination.

Since facilities have a decided effect on the unloading time, the following are variables in facilities at which observations are made:

1. From trucks at a platform the height of the truck.
2. From trucks at no platform (curb level).
3. From railroad cars at team tracks.
4. From railroad cars at a house track.

Early in the year, data on man-hours required for unloading and placing in storage the different kinds of packages with the different kinds of equipment were collected on an over-all basis. But a review of the data revealed a glaring amount of variation which, it was believed, could be accounted for only by timing all elements of the operation. About February 1, 1949, a switch was made from the over-all timing to the detailed time study method.

By the end of the fiscal year, more than 1,350 individual observations on an over-all and a time study basis for man-hours required to unload and place in storage the different kinds of packages, with the different kinds of equipment, had been made in 41 cities throughout the country.

However, as work has progressed on detailed time studies it has become more obvious that the problem was one which included almost an endless number of variables. This is attributable to the fact that observations were made of handling methods as they existed and no control was exercised over the unloading operation. In fact, each time study was in itself a distinct observation which

could not easily be tied in with other data even if observed for the same equipment, so it appeared that continuation of the work with little or no control over the men, equipment, and other factors, would mean that the final results could not be made available to the trade for a much longer period than had been anticipated.

After reviewing the project it appeared that there were at least two ways to provide more quickly some of the results of the work to the fresh fruit and vegetable trade without abandoning the original objectives of the project.

The first is the preparation of a "methods" report which is tentatively called, "How to Get More Out of Your Handling Equipment." This report should be completed in preliminary form within the next three months and in final form by January 1, 1950. It is to include those methods and uses of equipment observed by the people employed in the project which were outstanding in their application. This report will not attempt to point out to the industry what is the best kind of equipment to use, but rather to point out how innovations and improved methods can help do a better job with the equipment they now own.

The second is to be what might be termed a "controlled laboratory" method of approach of determining what kinds of equipment is best for each situation. It is visualized that in cooperation with individual dealers, people working on the project will go into their stores and make a survey of unloading operations and check to see what present levels of performance are. Once that is done certain temporary changes and uses of certain kinds of equipment will be recommended which should be an improvement over the present methods. After the changes have been made and a trial or learning period has been allowed the laborers, a check will be made again to see what the effect has been on performance. The results of these two reviews will provide the basis for releases to the industry after we have accumulated sufficient data. It should be emphasized that suggested changes in method will be for checking purposes only, and it will not be necessary that the changes be continued after our study at a particular establishment has been completed. At the moment, the development of this work is visualized as a continuing project with releases to be made whenever sufficient material has been developed which will aid a sizable segment of the fresh fruit and vegetable industry.

It is the ultimate aim of this entire project to determine in terms of costs and labor requirements the advantages and disadvantages of each type of equipment being used by the produce people, and to make available to the trade conclusions as to what type of equipment, according to volume of business and types of facility used, will result in the lowest handling cost.

B. COTTON

The initial study under the cotton warehouse project involves research into the application of modern materials-handling equipment and methods in the cotton warehouse industry. The prime objective of this study is to determine the relative efficiency and economy of particular types and combinations of materials-handling equipment, as well as materials-handling methods, that are used to perform the various warehouse handling operations.

The term "materials-handling equipment" embraces all machines, vehicles, and other devices used to handle physically bales of cotton. The term "handling methods" refers to the way any piece of equipment, or combination of equipment, together with the necessary employees, are used to perform specific cotton handling operations.

In order to develop this information, warehousing functions were segregated into the following eight operations:

1. Unloading rail cars and trucks.
2. Loading rail cars and trucks.
3. Weighing
4. Sampling
5. Transporting bales of cotton within the warehouse.
6. Stacking and storing.
7. Breaking out of stacks or storage.
8. Compression.

Using this method of approach, it is not necessary actually to observe any one operation in relation to all the other possible combinations of operations that occur in the cotton warehouse industry. Once each operation has been thoroughly studied with reference to the various types of equipment and handling methods that are applicable, the best and most economical of each operation can be selected for any given warehouse and the related operations can then be integrated for a smooth flow of work.

Time study techniques are being employed by our engineers to measure the man-hours and elapsed time required for a given combination of equipment and methods used to perform a specific operation. When prevailing wage rates are applied to man-hour requirements, a money cost for labor is derived. To this will be added the cost incurred by the equipment used, i.e., depreciation, fuel, oil, maintenance, repairs, insurance, taxes, etc. Thus the total cost of a given handling operation may be determined in order to give a more accurate comparison of the different types of handling equipment and methods that can be employed for a given operation.

During the past year, time study work in the field, on the part of our engineers, concerned itself with the development and perfection of methods for obtaining the required data under the various conditions likely to be encountered in the field. As a result, seven warehouses were visited in Gastonia, N. C., and

New Orleans, La., and this work has resulted in the perfection of time study methods as well as 60 usable studies.

Cost of operation figures, with reference to the equipment, are being developed from two sources simultaneously. First, warehousemen selected on the basis of the materials-handling equipment used have been requested to collect this type of data, by equipment, over a period of time, on our specially developed forms. This will develop actual figures that apply in the environment in which the equipment is used. Second, our engineers have visited eight manufacturers of materials-handling equipment and obtained various cost data that they have developed. This information will be used to appraise the cost figures collected by the selected warehousemen and to fill in cost data that are not otherwise obtainable. The work with reference to developing time study data for man-hour requirements is going on simultaneously with the collection of equipment operating cost data.

When a warehouse is visited, the floor plans obtained from insurance rating companies, will have added to them, by our engineers, the location of the various facilities used in handling cotton, the general flow of work, the relationship of the various operations, as well as other data required for a future study on the lay-out and design of cotton warehouses. A data sheet, also pertinent to warehouse lay-out, is filled out by our engineers for each warehouse visited to collect other material pertinent to the warehouse lay-out that cannot be portrayed on the above-mentioned floor plans.

It is felt that the field work will not be completed before January 1951 and that the preliminary report will not be ready before June 30, 1951.

V. DETERMINING PRINCIPLES FOR MARKET FACILITY PLANNING

The sound planning of market facilities in specific localities is dependent upon an adequate fund of basic data and on "tried and true" principles that are equally applicable to all situations or that can be adapted to meet specific situations. Moreover, the availability of adequate research data and the development of standards or criteria should materially reduce the time required on the part of Division personnel in making studies of existing markets in specific localities to provide a basis for sound improvement plans.

During the past year work has been continued or inaugurated on five studies or lines of work, all of which have as their purpose the determination of principles to be followed in planning market facilities. A brief report on each study follows.

A. FACTORS THAT GOVERN THE SUCCESS OF WHOLESALE MARKETS FOR FARM PRODUCTS

This study was undertaken to determine the factors which govern the success of markets for various types of farm and food products. As the interest in market facilities has grown over the years, many market facilities built in producing areas have failed for a number of reasons. Others, of course, have succeeded. In order to prevent the loss in capital expenditures as well as the loss in price to growers that results from having too many markets with too small a volume and improperly located, this study is being made to try to find out just what conditions are necessary in order to make reasonably certain that a concentration market, if built, will succeed. Data developed through this study will provide criteria which the Branch can use in its work in determining where markets are needed and in planning facilities of the right kind and of the right amount in those places. It will also aid in preventing the waste of funds by various groups in producing areas in building facilities that are doomed to failure before they are constructed.

Field work was begun on one phase of the study in February 1949. This phase is limited to the shipping point markets for fruits and vegetables and is being conducted in cooperation with the Cooperative Research and Services Division, Farm Credit Administration. To date information and data have been collected on markets as follows:

<u>State</u>	<u>Number of Markets covered</u>
Texas	6
Florida	23
Georgia	6
New Jersey	11
Michigan	<u>1</u>
Total	47

In addition to the data obtained from the market management on volume of sales, period of operation, etc., representative samples of buyers and sellers are interviewed on each market to determine their reasons for using the market and other pertinent information.

It is contemplated that the field work on this phase of the study will be completed before the end of the fiscal year 1949-50.

One of the outstanding observations made of the markets studied to date is that many of the successful ones were subsidized for periods of one to five years before they became self-supporting enterprises. Other observations are: (1) The tendency for many of these markets to specialize in only one

or two commodities, (2) the growing importance of the motortruck for transporting supplies from these markets to the consuming centers, and (3) the interrelationship of several factors, such as, volume of sales, number of buyers, type of sale, and management, upon the success of these markets.

B. ARRANGEMENT OF RAILROAD TRACK FACILITIES IN WHOLESALE MARKETS

Another study inaugurated during the past year is designed to determine the most efficient arrangement of railroad track facilities to buildings in wholesale markets. For many years there has been almost a void of information on whether or not rail facilities when brought to wholesale houses should be arranged parallel to the store buildings or shipping sheds, or at some angle. Proposals also have been made that the tracks be placed in the basements or on the roofs.

The arrangement of the tracks has a great effect on the costs of loading and unloading as well as on the cost of the facilities, the cost of laying the tracks, and the cost of the land. The arrangement of the tracks also determines the amount of effective track capacity that may be made available per store unit.

Considerable progress has been made in determining the effect various types of track arrangements has on the costs of land, facilities, and laying tracks. Some progress has also been made in determining the amount of track space needed by dealers with different sizes and types of operations in different kinds of markets.

Completion of the study will be dependent on the availability of data from materials-handling studies on the costs of loading and unloading.

C. PLATFORM OR DOCK HEIGHTS

Although considerable study is needed to provide basic data for developing improved lay-outs and designs for various types of market facilities for farm and food products, this type of research must be conducted on a continuing basis if it is to keep abreast of changes in the specifications of transportation equipment and the development of new types of materials-handling equipment.

During the course of the work performed on materials-handling studies during the past year it has become increasingly apparent that an important consideration to the efficient handling of various kinds of products is platform of proper height for loading and unloading operations. Preliminary time study data on unloading operations indicates that platforms should be at, or very near, the level of the motortruck-bed or refrigerated

car floor rack to bring about the most economical use of handling equipment. However, because of the wide variation in truck-bed heights as well as the variability in the height of refrigerated railroad cars it has been difficult to determine what specific platform height is most satisfactory for all cars and/or trucks.

During the past year the heights of the floors or beds of 486 trucks were measured in Providence, Baltimore, Washington, New York, Milwaukee and Fort Wayne. All trucks located on the markets at a particular time were measured without selection of any kind. The lowest truck-bed recorded was 22 inches above the road, while the highest measured was 57 inches. This variation of 35 inches makes it difficult to provide a platform of any single height that would best accommodate all motortrucks (see figure 5). However, of the trucks measured, approximately 68 percent had beds that were between 40 and 49 inches high. Of 106 trucks, 39 inches and lower, 69 were of the panel type which ordinarily carry small volumes. If these panel trucks were omitted from the calculations, about four-fifths of the trucks measured would be within 5 inches of a platform 45 inches high.

Measurements made of refrigerated cars indicate that the distance from the top of the rails to the height of the rack inside the car varies between 51 and 58 inches with the bulk of the cars being above 54 inches. Therefore a good level for a platform which is to be used for loading or unloading refrigerated cars only, and no trucks, might be 55 inches. Of course, with this height it is necessary that there be sufficient clearance between the side of the car and the edge of the platform to permit opening the doors.

In deciding on any platform arrangement it should be ascertained what use will be made of it, whether refrigerated railroad cars or trucks are to be unloaded or loaded, what methods will be used in handling and what type and kind of handling equipment will be employed; since all these have a bearing on the desired height.

Generally, the following conclusions can be drawn from available data: (1) If motortrucks only are to use the platform, a height of about 45 inches appears to be about right; (2) if refrigerated railroad cars only are to be loaded or unloaded over the platform, a height of 55 inches should be satisfactory for most cars, with the top of the rails even with the ground or pavement; and (3) if both trucks and refrigerated railroad cars are to be accommodated, a level somewhere between 45 and 55 inches should fill the requirements. It is anticipated that additional data will be gathered from time to time as manufacturers alter the designs of transportation equipment and as technological developments make present standards obsolete.

D. POULTRY AND EGG MARKETING FACILITIES IN 30 CITIES

Work was continued during the year on the study of wholesale poultry and egg marketing facilities in 30 cities, which were selected on the basis of geographical distribution, and which are representative of the wholesale markets through which these products are distributed. The purpose of this study is to determine the defects and inefficiencies existing in wholesale poultry and egg markets, the approximate amounts these defects are adding to marketing costs, the kinds of facilities needed for the most efficient handling of poultry and eggs, the amounts of facilities needed to handle most efficiently specific volumes of these products and the relationship of these facilities to the facilities for handling other perishable food products. Included among the defects found in the markets in the principal cities are poorly designed stores with no platforms, poor sanitary conditions (see figure 6), lack of refrigeration, lack of rail connections for handling receipts arriving by rail, an almost complete absence of labor-saving equipment, and traffic congestion with resultant delays and loss of time on the part of trucks and drivers bringing in receipts and taking out supplies. The results of this study will show the locations where complete studies should be made to develop plans for new facilities; will determine the types, designs, and size of facilities that would be generally most desirable for the efficient handling of poultry and eggs; and will show where these facilities should be located in a market area in relation to facilities for other perishable commodities. In addition to using the results of this survey in the work of the Branch in planning specific markets, the findings will be prepared for public distribution. Roughly one-half of the report has been written, and it is contemplated that it will be completed and published during the year ending June 30, 1950.

E. AMOUNT OF FLOOR SPACE NEEDED IN PRODUCE STORES TO HANDLE SPECIFIED VOLUMES OF COMMODITIES

In developing plans and making recommendations for terminal, secondary, and concentration market facilities for produce in particular localities, it is necessary to include information showing the size and number of store units that should be built at the time of initial construction in order to provide adequate platform and floor space for handling efficiently the anticipated volume of farm products. Little or no reliable data now exist upon which to rely in estimating the needs for store space. The only way that such an estimate can be made is on the basis of the total space currently used by dealers handling the farm products, from which adjustments are made. Also weighed is the fact that in an efficiently arranged facility a greater volume of merchandise can be handled within a given unit of floor space.

During the past year work was continued on a pilot study to determine the amount of floor space needed by wholesale dealers of fruits, vegetables, poultry, and eggs. A pilot study should be useful as a guide for a larger and more comprehensive study

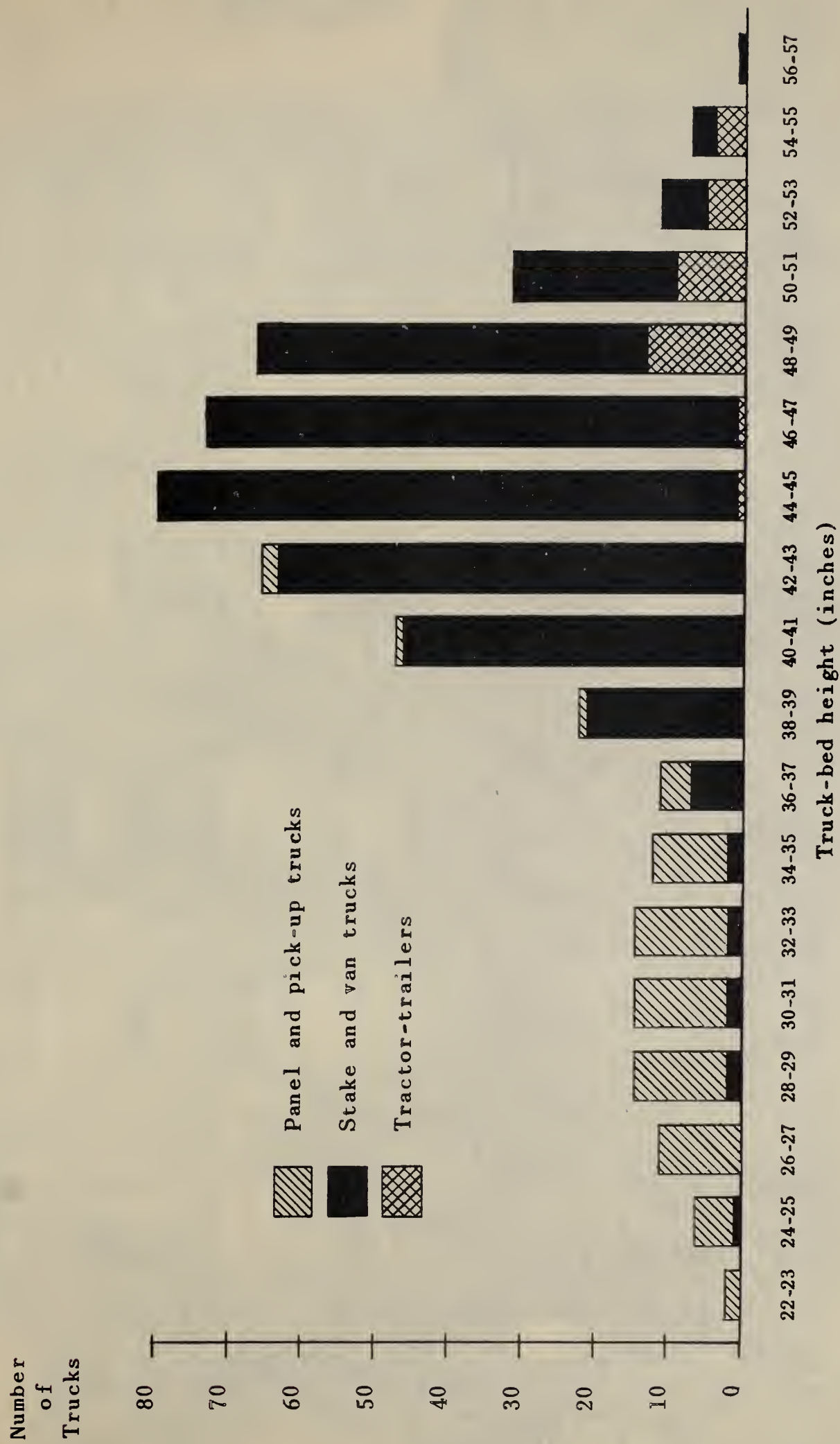


Figure 5.---Truck-bed heights for 486 fruit and vegetable trucks measured in six cities, 1948-49.

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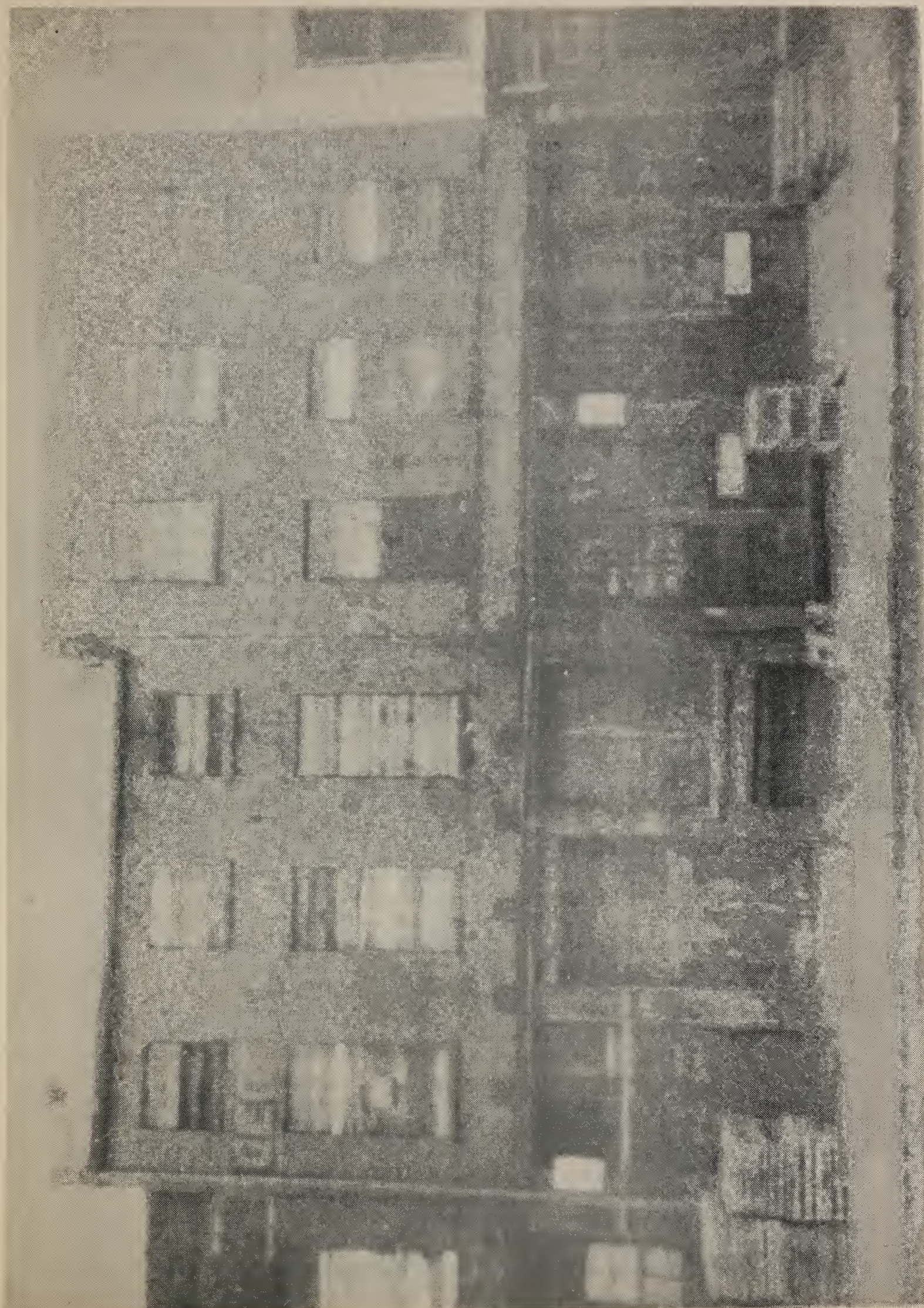
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*Figure 6.--Poultry and egg dealers in many cities now
operate in inefficient and unsanitary quarters.*

to be undertaken in the near future that may eventually cover some 40 or more of the larger produce markets now in operation.

Two approaches are being used: (1) For fruits and vegetables a market-wide study is being made to determine the volumes handled through the stores and the average volume handled per unit, and (2) for poultry and eggs a sample of 96 dealers provides the basis for initial analysis.

1. Fruits and Vegetables. The four markets included in the study were the Northern Ohio Food Terminal, Cleveland, Ohio; the South Water Street Market, Chicago, Ill.; the Niagara Frontier Food Terminal, Buffalo, N. Y.; and the Providence Fruit and Produce Building, Providence, R. I., which represent some of the better market facilities in the country. Personal visits were made to the above, to obtain data on fruit and vegetable volume for the markets as a whole and floor and platform area used for fresh fruits and vegetables by dealers handling this volume. All fruit and vegetable stores within each market were visited, and the space devoted to the physical handling of produce was obtained by actual measurements, which furnished the required information on space. Volume figures were gathered through interviews with local market news representatives of the Production and Marketing Administration, State Market News officials, market managers, local dealers and other interested individuals. All floor and platform space devoted to handling fresh fruits and vegetables and the volume moved by the dealers having this space are presented as composite figures rather than broken down by individual store.

For comparison purposes, since all four markets at least have basements and first floors and little use is made of second, third, and fourth floors, the square feet of space in the basements and on the first floor only was reduced to the number of store units having the equivalent floor area of the standard store units (22½ feet wide, 96-foot basement, 60-foot first floor, 24-foot front platform and 12-foot rear platform or 4,320 square feet) of the kind recommended by this Branch. The resulting figures were divided into the annual volume handled by the market giving an annual average volume per store unit for each market on somewhat of a comparable basis. These averages amounted to 525 carload equivalents per store unit at the South Water Street Market, 292 at the Northern Ohio Food Terminal, 264 at the Providence Fruit and Produce Building, and 246 at the Niagara Frontier Food Terminal.

With the exception of the Chicago facility, the range for the other three markets is not very great, indicating that there might be an average of about 250 cars per year per store unit. If a figure lower than 250 is used in estimating the number of store units which should be planned for in a proposed market to handle a given volume, it is possible that the market may be overbuilt. On the other hand, if a volume higher than 300 cars is used, the number of store units recommended may not be adequate to handle the volume in an efficient manner.

Of course, this study is preliminary and could be expanded to obtain a better cross section of the markets of the country, whereby it would be possible to have some measures for estimating the anticipated needs of all newly planned concentration, secondary, and terminal markets no matter what the size. One of the basic facts needed in bringing about the success of a new market is to find the correct number of store units to be built in it. If underbuilt, dealers who cannot be accommodated will seek facilities away from the new market which may lead to a split market and its resultant bad effect on marketing efficiency. If overbuilt, the unused part of the market might unduly tax the dealers located on the market in terms of excessive rents, which might result in lower prices to farmers, higher costs to dealers, and higher prices to consumers.

2. Poultry and eggs. During the past year work has been continued on the analysis of the poultry and egg dealers' floor space and volume handled. Based on information available on 96 independent dealers in six cities, a few tentative preliminary observations have been made. In a number of instances, similar types of dealers with the same amount of floor space handled widely varying amounts of produce. This was due partly to differences in the efficiency of the physical facilities; partly to the distribution of the space among basements, first, second, third, and fourth floors; and partly to differences in management policies. A corollary observation is that the dealers use some of the space occupied more efficiently than they do other space. The vast majority of the dealers use their first-floor space much more effectively than they do the other floors occupied.

Another observation concerns the differences in the use of space between types of dealers. Three broad groups were examined including poultry dealers, egg dealers, and combination dealers. The poultry dealers were defined as those handling 70 percent or more of their volume as poultry, egg dealers were defined as those handling 70 percent or more of their volume as eggs, and the combination dealers were defined as the intermediate group. On the basis of these definitions, there were 33 "egg dealers," 39 "combination dealers," and 24 "poultry dealers" in the total group of 96 dealers. The "poultry dealers" were not only the smallest group in number of firms, but they were also the smallest in terms of volume handled on an individual firm basis. Further analysis leads to the observation that the "poultry dealers" use approximately 3 times the floor space as do egg dealers who handle comparable volumes. This may be explained by the nature of the operations of the two types of dealers. The "poultry dealers" typically buy live birds; kill, dress and chill them; and sell dressed or drawn birds. These operations take up a lot of floor space. The "egg dealers" may candle and repack their commodity, but this operation does not require as much floor space. Another possible explanation is found in the comparison of the package or unit handled. A coop of live chickens is roughly equivalent to a case of eggs on a weight basis. However, a chicken coop contains 6 cubic feet of space, while an egg case

contains 2 cubic feet of space. This further substantiates the 3 to 1 ratio in space used by these two types of dealers. The above observations are examples of the type of results obtained from this project to date. A broadening of the sample should provide more reliable results.

During the past year data were gathered from 10 additional cities. The firms in these cities will approximately double the total number of observations in the sample. An analysis of these data is now in process. Additional data will be gathered during the coming year, and they, too, will be added to the sample. This work, when completed, should serve as a guide for developing floor plans and flow charts for purposes of improving the efficiency and handling of poultry products. These efficiency features will then be incorporated in the design of wholesale poultry and egg stores recommended in new market facilities.

WAREHOUSE SUPERVISION DIVISION

The work of this Division continued along three major lines of activity: (1) The inspection of wool warehouses used by the Livestock Branch; (2) the approval and supervision of warehouses in which certain Department-owned commodities are stored by the Shipping and Storage Branch; and (3) the administration of the United States Warehouse Act, which represents 90 percent or more of the work of the whole Division. The year witnessed substantially increased activity in the latter two lines but less activity in the wool warehouse supervision work.

I. SUPERVISION OF NONLICENSED WAREHOUSES

A. WOOL WAREHOUSE SUPERVISION

This Division's responsibility for wool warehouses consists in checking warehouses to see that they constitute proper facilities, that there are no undue hazards, and to determine the insurance rate on wool stored therein. It merely makes recommendations to the Livestock Branch and states whether certain standards prescribed by that Branch are being met, but does no approving. It makes random checks of warehouses and wools stored therein at such times and as frequently as the Chief of the Division may deem necessary. During the year this Division made about 50 examinations of wool warehouses to determine their acceptability for wool storage and about 600 examinations of houses being used to determine that the wool was stored and handled in accordance with the standards. As Department stocks of wool are decreasing substantially, this line of work is decreasing correspondingly, and as a result two examiners were dispensed with about the close of December 31, 1948. Another examiner was laid off about March 1.

B. SUPERVISION OF WAREHOUSES FOR SHIPPING AND STORAGE BRANCH

During the greater part of 1948 and the early part of 1949 this work decreased substantially, but during May and June 1949

the Department was acquiring increased stocks of commodities in connection with price support programs. This was especially true of dry milk, dry edible beans and peas, dry and whole eggs, and butter. During the year 152 original examinations were made of warehouses to determine their acceptability for storage of these commodities, and 419 examinations were made to determine that the warehouses were properly maintained following their original approval and to check condition of stocks. Evidence of the increased activity in this project lies in the fact that during the month of June 1949 requests for 49 original inspections were received from the Shipping and Storage Branch, and additional requests are received almost daily. (On July 6, 1949, 67 requests for original examinations were pending.) With the acquiring of more commodities by the Department, this work is bound to increase materially during 1949, and an expansion in the examining force is needed immediately.

The primary purpose of this line of work was set forth specifically in the 1948 Annual Report. In a few words, the purpose is to inform the Branch responsible for the storage of Government-owned commodities of suitable facilities, operated by competent personnel, and to check the stored commodities every 60 days to see that they are cared for properly. That the objective is being attained is evidenced by the elimination of barns, old icehouses, and dilapidated buildings prior to entering into contracts for storage, and the suggestion in many cases where facilities are adequate in the hands of trustworthy but underfinanced persons that adequate bond be required as a precedent to entering into a storage contract. Many facilities in certain parts of the country seem to fall into this latter category. Through the 60-day interval inspections many conditions are discovered in early stages which would lead to serious loss. Corrective measures such as structural repairs, better fire protection, rodent and insect control, and moving of commodities which are about to pass the safe storage period into consuming channels are recommended. Generally these recommendations are followed by the Shipping and Storage Branch. These measures result not only in giving the Government better storage but also in benefiting the general public. Conditions which make warehouses unacceptable, such as lack of cleanliness, bad state of repair, or serious fire hazards, are many times corrected or the warehouseman manages to get properties which can be approved. Overloading has been prevented, and corrective measures were taken in the case of a warehouseman who submitted a good risk for inspection that was approved, but who, when a contract was awarded, stored the Government commodities in another building which was not acceptable. On the whole, this work not only protects the Department, but also contributes toward improving warehousing standards by making warehousemen realize that if they expect to store these Government commodities, they must maintain clean, sound buildings and operate in accordance with Department standards, paying particular attention to temperatures, humidity, ventilation, use of dunnage, stacking methods, and potential fire hazards.

II. WAREHOUSE ACT ADMINISTRATION

A. PURPOSE OF THE ACT

Many Federal statutes are passed to meet a specific or emergency need. After the emergency is passed, the need for the statute passes and activity under it gradually ceases. The United States Warehouse Act was introduced in Congress in 1914 to meet an emergency condition, but its purpose was not only to meet the emergency but to create a permanent system for warehousing agricultural products which would aid in the orderly marketing of the products. Farmers, like all other people, need money throughout the year. Orderly marketing could not be accomplished unless a means was provided for getting cash. Converting the products into a form of collateral acceptable to bankers generally seemed to be the answer. This, it was thought, could be accomplished if the products were stored in warehouses operated by persons whose financial responsibility and reputation commanded the confidence of producers and bankers. Back in 1914, when the first Bill was introduced, warehousing of basic agricultural products did not command confidence except locally. But to finance our basic agricultural commodities requires huge sums of money. The banks in production areas could not meet the need. Bankers in metropolitan centers were not interested in loaning on stored commodities in producing areas because they did not know whether a warehouse existed in the area, and even if they did, they had no knowledge of the character of the warehouse; whether it was good, bad or ramshackle; whether it had the necessary equipment; or whether it was in the hands of financially responsible and trustworthy persons. Besides, most warehouse receipts in those days were of little value to a banker. They gave no definite and reliable information as to the product they represented. This most definite statement on many receipts was a disclaimer of practically all liability on the part of the issuing warehouseman, even for certain acts for which he was liable under law. Naturally such receipts did not command confidence of any informed and prudent banker. Warehousing was at a low level. Abuses, evil practices, and losses were entirely too common. With a view to correcting these conditions and creating warehouse receipts which would command confidence in any financial quarter, Congress passed the Warehouse Act in 1916. It aims to protect depositors in warehouses, the warehousemen, the holders of receipts, whether depositors, merchants, or bankers, and thereby create sound collateral to loans. It provides for licensing responsible warehousemen operating acceptable facilities and supervising their operations after licensing. It gives the Secretary of Agriculture exclusive jurisdiction over licensees so long as licensed. Licensing only the responsible to operate facilities which meet certain standards, and rejecting the undesirable or irresponsible, influence the undesirables to raise their standards whether they seek a license or not. The Warehouse Act has in the years resulted in raising the standards of warehousing in the agricultural field and in the issuance by all warehousemen of a more definite and informative receipt, both as to the product and

the responsibilities assumed by warehousemen, even to the extent that many warehousemen who are not licensed have copied the form and wording of the Federal receipt as far as they could without violating the law. Through the system of licensing and through supervision after licensing, at one stroke Congress not only met an emergency more than 30 years ago, but it created an instrument which each year is more and more sought for by lending agencies as a piece of prime collateral. The Warehouse Act has passed through several agricultural depressions and two wars, but as far as is known it has come through all without loss to a single holder of a Federal receipt and today such receipts are regarded as the leaders of warehouse paper. Thus the Warehouse Act, while of an emergency nature in conception, has created an instrument of tremendous importance to orderly marketing in peacetime. It is an integral part of a sound agricultural program, and its wider use and proper support can result in bypassing more costly and involved processes, in better protection to the public and the Government and alleviating some of the burdens of government.

B. PROGRESS DURING YEAR

As from the early days of the Warehouse Act, principal activity continues in the licensing and supervising of warehousemen storing two principal staples--cotton and grain. Table 1 shows the number of licensed warehousemen as of June 30 in 1948 and 1949 by commodities and total capacities of warehouses.

Table 1.--Number of warehouses licensed under the United States Warehouse Act and their total storage capacity by commodity, as of June 30, 1948 and 1949

Commodity	Number of Licensed Warehouses			Capacity	
	1948	1949	Unit	1948	1949
	Number	Number	Unit	Number	Number
Cotton	437	450	Bales	10,158,201	10,607,939
Grain	813	830	Bus.	301,448,159	336,353,455
Wool	30	23	Lbs.	72,083,000	56,696,000
Tobacco	4	2	Lbs.	3,290,000	490,000
Nuts	9	12	Tons	15,367	23,651
Broomcorn	4	5	Bales	32,325	33,325
Dry Beans	26	36	Cwt.	1,628,450	2,275,384
Sirup	4	5	Gals.	1,398,640	1,498,640
Canned foods	18	20	Cases	4,491,900	4,467,500
Cottonseed	0	2	Tons	----	67,000
Cold pack fruits	1	3	Lbs.	4,189,500	10,189,500
Seeds	1	1	Cwt.	232,062	201,187
Cherries in brine	2	2	Lbs.	8,846,000	8,846,000
Total	1,349	1,391			

The total number of licensed inspectors, graders, and weighers as of June 30, 1949 was 3,639.

A distinct increase in licensed capacities for cotton and grain is noticeable. Increased licensing still continues. A number of applications from grain warehousemen are still pending,

and cotton warehousemen are just beginning to file in anticipation of a big 1949 crop. These applications are coming from warehousemen previously licensed for the operation of certain facilities and from others who are applying for the first time. The size of the operations vary tremendously, ranging all the way from a cotton warehouse of 1,000-bale capacity to one of 200,000 bale capacity. In grain the facilities range from 25,000 bushels to several million bushels. In other words, the facilities range from small country houses and elevators to large terminal facilities. This proves that the Warehouse Act serves both the producer and the large merchandiser or processor. It serves in the country, at subterminal or country heavy concentration points, and at terminal points. For instance, in the territory served by the Indianapolis office, which extends from the Canadian boundary to Tennessee and from the Mississippi River east to Buffalo, N. Y., 177 grain elevators are licensed with a total capacity of about 123,266,000 bushels. Of these, approximately 100 are primary or country receiving houses dealing directly with the producer; 24 are subterminals that serve, in part, producers and country stations or elevators; 30 are terminal elevators where grain is accumulated in large quantities for distribution to consuming centers; and 23 are semi-processing plants where grain may be stored or processed. Of the 30 terminals, 8 have a combined licensed capacity of 28,100,000 bushels and are located in the world's largest futures market, Chicago. The value of the futures market to grain producers and handlers is widely recognized. Grain in store is the backbone of futures trading. Practically every elevator, the receipts of which are recognized in the Chicago market, is under Federal license. Incidentally, it might be observed that the world's largest elevator, which is located in the heart of a heavy grain producing area and which has a capacity of 18,500,000 bushels is under Federal license. This elevator deals largely with a number of country elevators, though it does some business directly with individual producers.

C. CROSS SECTION OF ACTIVITY WITHIN AN AREA

The table on activity (Table 1) shows that on June 30, 1949, only 17 more grain warehousemen were licensed throughout the whole United States during the year with increased capacity of about 35,000,000 bushels, but that is not a reflection of the real activity and what was involved in accomplishing that increase. A glance at the following table, which reflects what took place in but one area, shows that many changes take place in a year.

	<u>Unit</u>	<u>1948</u>	<u>1949</u>
Capacity	Bu.	101,127,000	121,895,232
Licenses amended	No.	26	42
Capacity increased by amendment	Bu.	4,227,500	12,975,000
New licenses	No.	17	38
Increased capacity through new licenses	Bu.	2,572,500	11,895,000

Thus it will be seen that while the sum total of licensed grain warehouses on June 30, 1949, shows an increase of but 17 houses as compared with June 30, 1948, in this district alone there were actually 80 actions involved in 1949 either by way of amendments to licenses or by issuance of licenses for the first time. In addition, in this same district 41 licenses were canceled or permitted to expire, and 886 examinations of facilities were made subsequent to licensing.

Table 1 indicates that on June 30, 1949, there were but 13 more cotton warehouses with capacity for storing 450,738 more bales of cotton as compared with June 30, 1948. But that is not the whole picture, as a glance at what took place in the area served by one of the area cotton offices will indicate, and this is but 1 of 5 area offices. Within that area alone examinations to determine acceptability for licensing were made of 23 cotton warehouses with a capacity of 95,500 bales. Neither does that represent the sole new activity of that cotton office. In the past year, it examined 18 rice warehouses with a capacity of 3,787,000 bushels, 9 peanut warehouses having 7,200-ton capacity, 2 cottonseed warehouses with 67,000-ton capacity, and 1 warehouse with a storage capacity for honey of 100,000 gallons. In addition to this original work, the same office made 274 subsequent examinations of licensed warehouses as follows: 191 cotton warehouses, 60 grain warehouses, 11 peanut warehouses, 8 cottonseed warehouses, 3 wool warehouses, and 1 honey warehouse.

In the course of the inspection of licensed warehouses in this one area the examiners checked 2,235,933 bales of cotton. They inspected 8,716,319 bushels of rice, and they verified wool receipts covering 437,367 pounds of wool and peanut receipts representing 17,511,376 pounds of peanuts. They checked 106,306 tons of cottonseed and verified receipts and stocks covering 752,160 gallons of honey. The licensed cotton warehouses within this area issued during the year approximately 2,784,500 receipts, all of which had to be duly audited in the course of examinations.

While this area office accounted for only 95,500 additional bales of the increased storage capacity, the licensing of only 3 new cotton warehouses in another area office resulted in the increasing of licensed cotton storage capacity by 116,000 bales. The balance of the activity took place through the licensing of many smaller operations in other areas.

D. SUPERVISION SUBSEQUENT TO LICENSING

The supervising of warehouses subsequent to licensing constitutes at least 85 percent of the work in connection with the administration of the Warehouse Act. An original examination of a cotton warehouse, whether large or small, requires little time as compared to the time required in making a subsequent examination of the same warehouse. A small cotton warehouse of 1,000 bale capacity might require a day or two to make the original examination to determine the acceptability of the

facility and the warehouseman. Another house of 100,000-bale storage capacity might not require more than 3 or 4 days, depending on the problems involved. On the other hand, making an examination of a 1,000-bale warehouse after it is licensed might only require a day or two, but making an examination of a 100,000-bale warehouse after licensing might well require the time of 3 or 4 examiners a week or two depending on how much activity there had been in the warehouse, how many receipts are outstanding, and how many bales must be found in the warehouse at the time of the examination. Very obviously a house which is extremely active and which also has large stocks on hand at the time of the examination will require much more time for proper inspection than one which has a fairly large quantity of cotton in dead storage, or a house which may have a large capacity but very little storage.

The inspection of a grain elevator after licensing is quite a technical process and involves a thorough knowledge of warehouse operations and the ability to calculate quantities in store and properly to sample and inspect samples drawn from each bin. Figure 7 shows an 11,000,000-bushel elevator which is part of a plant having 18,500,000-bushel capacity. Obviously one can view this facility from the outside with awe, but he has not the slightest idea as to what may be stored within. He can form no opinion as to whether it is filled with wheat or corn or some other grain, or whether it may be empty or half-filled. Not even by walking through the inside of the house from one end to the other can he determine what kind of grain is in store, if any, much less what its condition or grade may be. One could go from one end of this elevator to the other and see grain moving along on belts, but beyond that he would see no grain whatever. This house, which contains 919 bins, must be inventoried by the warehouse examiners on the occasion of each inspection. The quantities of grain in each bin or tank must be carefully measured and determined. Samples must be drawn from each bin or container, which must be inspected and analyzed to see that the grain is in proper condition. This is a task which none but properly trained men can properly perform, and it requires time and diligent application. To give some idea of the values involved, when this house had only a 14,000,000-bushel storage capacity, it handled better than \$50,000,000 worth of products through it in a year.

The number of examinations made per year per warehouse is no index of the work involved. For instance, in 1948 one area office in the grain territory made 19.1 percent fewer examinations but handled 21.5 percent more warehouse receipts and inventoried and inspected 3.5 percent more grain. Very obviously it takes much longer to inspect an elevator with a capacity of 18½-million-bushel than it does to inspect one of 100,000 bushels, and the problems involved and the care that must be taken are correspondingly greater. The tendency, particularly in the storage of grain, is toward larger storage facilities, especially in the producing and country concentration points. A few years ago an elevator of 100,000 bushels in the country was considered a large elevator, but in the past year or two facilities of 250,000 to 1,000,000

bushels or more capacity have been making their appearance, and the whole tendency is in the direction of more and larger country storage. Serious consideration is being given to the construction of a 25- or 30-million-bushel elevator in a heavy grain-producing area. The larger the facilities, the more complicated the problems become and the greater care that must be exercised in the examination of warehouses, whether they be grain elevators or cotton warehouses. The possibility of deterioration taking place and going by undetected in these large facilities is naturally greater than in small facilities. Hence, more meticulous supervision is needed in large facilities.

In connection with the examination of warehouses following licensing we cannot close our eyes to the accumulation of stocks which is bound to follow in the wake of price support programs. Carry-over of cotton at the beginning of the 1947 season was approximately 2,530,000 bales. At the beginning of the 1948 season it was slightly over 3,000,000 bales, and the carry-over at the beginning of the 1949 season is estimated at about 5,500,000 bales. A large part of this carry-over is in licensed warehouses. Unofficial statements suggest at least a 15,000,000-bale crop for 1949, which will mean much of the cotton will go into loan programs and necessarily will remain in storage. With such an outlook for cotton alone, it is quite evident that the checking of warehouses will be very materially slowed down. Warehouses which two years ago might have been inspected by an examiner in a day or two will probably require two examiners a week. Already there is a movement of cotton from Texas, Arizona, and California to points east, much of which is going into Federally licensed warehouses. This influx of cotton from foreign territory, in addition to cotton produced within the trade area of the licensed warehouses, is bound to result in large stocks, if not serious congestion.

During the past year each cotton warehouse was examined about 2.5 times, but stocks in many of the houses at the beginning of the year were low. To make that many examinations of the existing licensed facilities during the coming year, without allowing for any increased capacities, would require at least 13 additional cotton warehouse examiners. Such an increase would just about bring the force back to what it was prior to the reduction which was made in the early part of 1947. For years the Department has felt that sound administration would require at least four inspections of each licensed warehouse each year. In that opinion leading warehousemen and bankers have concurred. But that standard has not been maintained. To take care of the additional demands that will be made commencing with the 1949 crop season and to make only about 2.5 examinations per warehouse per year would require at least 25 more cotton warehouse examiners.

In the grain field, both the Indianapolis and Wichita offices should be split up, two additional offices opened in the interests of sounder administration, and at least 15 more grain warehouse examiners added to the staff.

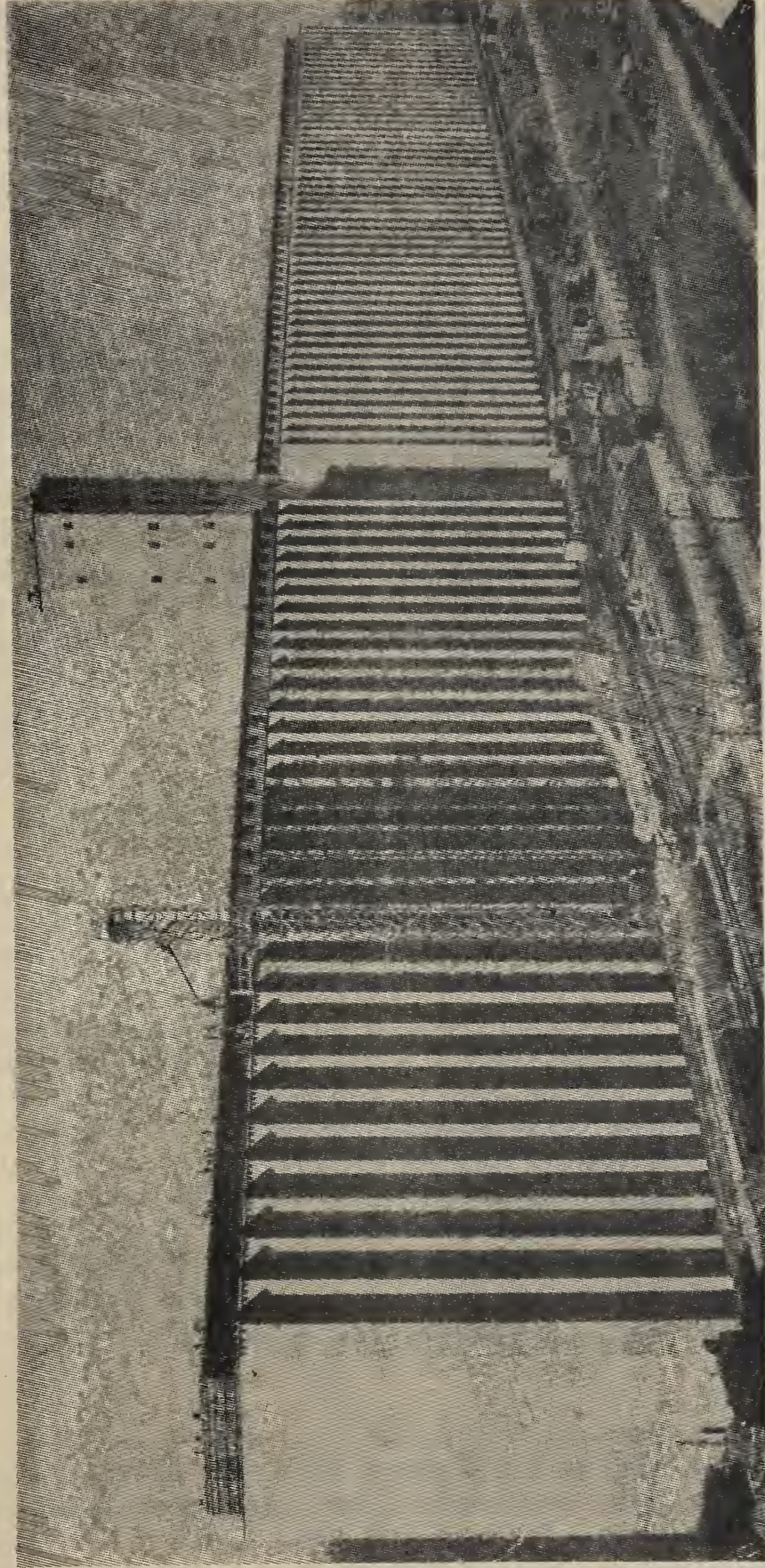


Figure 7.--This figure shows part of a grain elevator licensed under the U. S. Warehouse Act, which is the largest grain elevator in the world. Its total capacity is 18,500,000 bushels. The part shown above has a capacity of 11,000,000 bushels.



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A question is sometimes raised as to the need for so much supervision, and reference is made to State warehouse systems. What takes place in those systems has nothing to do with the administration of the Federal Warehouse Act, but an illustration of what was recently found may suggest the danger resulting from lack of supervision and what really takes place under some State systems. A certain warehouseman who had been operating under a State system for some time applied for a Federal license. The management stated that the plant had never been examined by the State. Before the plant could be licensed, it was necessary to make a complete inventory. The warehouseman's records indicated a stock of over 4,000 bales of cotton. A check by this Division showed only 3,391 bales in storage for which receipts were outstanding. Fifteen bales for which the receipts were canceled were found in the warehouse, and 75 bales which should have been in the warehouse could not be located. Receipts found in the hands of depositors were supposed to represent these 75 bales. These receipts could have been hypothecated with a bank, but there would have been no collateral back of the receipts. Operations such as these can lead to serious consequences. In the administration of the Warehouse Act instances repeatedly are encountered where warehousemen have been requested to deliver products prior to the return of the receipts. During the past year in non-federally licensed operations in different parts of the country losses have been reported ranging from one-quarter to three-quarters of a million dollars. Receipts were outstanding, but warehouses were empty.

E. CROSS SECTION OF LICENSED ACTIVITY

Table 2 gives a cross section of licensing activity by commodities, both of warehousemen and of samplers, inspectors, weighers, and graders. In connection with that table attention is directed to the great number of licenses issued to persons to sample, inspect, grade, and weigh. The Act provides "that the Secretary of Agriculture . . . may, upon presentation of satisfactory proof of competency, issue to any person a license to inspect, sample or class any agricultural product or products stored or to be stored in the warehouse licensed under this Act." Before any of these applicants could be licensed, the responsibility rested upon the Department to determine that the applicant was competent to perform his duties under the Act. Each one of these applications involved a separate investigation and a testing to determine that the person was competent. This is all part of what enters into the licensing of a warehouse.

Another activity which consumed considerable man days was the testing of scales and the checking of weights in connection with cotton warehouses. The New Orleans office spent 17 man days at that work. The Memphis office devoted 51 man days to that work in the course of which it checked 173 scales for accuracy. Seven were found out of order and had to be repaired or discarded. The Raleigh office devoted 33 days to this work, and each of the other 2 cotton offices spent similar amounts of times in the verification of scales for accuracy and actual weighing that took place at the warehouse.

Table 2.--Licenses issued, amended, canceled, expired, suspended and reinstated, by commodity, fiscal year 1949

WAREHOUSE LICENSES											
: New : Amended :			: Licenses : Licenses : Licenses :			: Suspended : Reinstated : Issued :			: Sampler weigher inspector : Licenses :		
: Licenses : Licenses : Licenses :			: Canceled : Expired : Licenses :			: Canceled : Expired : Licenses :			: Canceled : Expired : Licenses :		
Commodity : Issued : Issued :			: Canceled : Expired : Licenses :			: Canceled : Expired : Licenses :			: Canceled : Expired : Licenses :		
No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Cotton	30	127	10	3	2	0	148	99	13		
Grain	93	117	33	24	3	2	454	334	18		
Wool	1	10	5	1	0	0	7	22	0		
Tobacco	0	0	2	0	0	0	0	2	0		
Nuts	9	4	1	1	1	0	14	4	0		
Broomcorn	1	0	0	0	0	0	2	1	0		
Beans	15	4	1	4	0	0	22	7	0		
Sirup	1	0	0	0	0	0	3	1	0		
Canned foods	3	6	1	0	1	0	2	3	0		
Cold Pack fruit	1	0	0	0	0	0	2	0	0		
Cottonseed	2	0	0	0	0	0	9	3	0		
Total	156	268	58	33	7	2	663	476	31		

Another aspect of the work which requires varying amounts of time each year is that which develops at warehouses where fires occur. Because of Federal supervision the underwriting agencies years ago extended a credit in insurance rates on cotton stored in Federally licensed warehouses. As an inducement for that credit the Department agreed to cooperate with the underwriting agencies in establishing fire losses. In the Atlanta territory 7 fires occurred in 1948. In the Raleigh territory there were 6 fires. Fires also occurred in some of the other districts, none of them serious, but in each one the underwriting agencies used as a basis for settlement the inspection reports of the Department. This resulted in prompt and satisfactory settlement to all.

F. SUPERVISION OF PRINTING OF WAREHOUSE RECEIPTS

For more than 25 years the Department has had a contract with a paper manufacturer for the furnishing of a prescribed paper for use in the printing of warehouse receipts. It has also had a contract with a printer to print all warehouse receipts used by Federally licensed warehousemen. That gives the Department a control over the receipts that warehousemen can use, and is one thing that contributes to the general acceptability of Federal receipts. They are recognized at a glance throughout the country. In 1947 the Department supervised the execution of 807 distinct orders for warehouse forms totaling 7,698,839. In 1948 it supervised the preparation and execution of 858 orders covering 9,473,799 forms. Every indication is that in 1949 the number of orders and total number of forms will exceed those of 1948. These orders are now in process of execution.

G. NEW PROBLEMS

The annual report of the fiscal year ended June 30, 1948, presented the problem in connection with elevators handling grain several times in excess of the licensed capacity, which grain was frequently not receipted for by the country receiving warehouseman, nor the warehouseman to whom he forwarded it. All the depositor had was a weight ticket which established no liability on anyone, and which gave no information as to where the grain might be stored. During the year we have made an intensive effort to inform Federally licensed warehouse operators in the area where that practice was followed generally, of the danger inherent in the practice, not only to the depositor but to the warehouseman as well. A danger signal through State and County Committeemen was also sounded by a memorandum which was issued by the Assistant Administrator for Production. These dangers are not fancied, but real, as one cooperative elevator operator recently found. It had forwarded tens of thousands of bushels of grain to other elevators, and in some way the management became confused and reported grain in store when, as a matter of fact, it had been sold. The result was that the management had to call for refunds from patrons to whom large patronage dividends had been declared to purchase certificates of indebtedness, and even to call upon the Bank for

Cooperatives to restore its working capital. This case illustrated not only to the management of the cooperative involved, but to a number of other cooperatives which belonged to the same chain, the exposure in the grain forwarding practice, and as a result many country warehousemen are now ordering warehousemen to whom they forward grain to issue receipts in the names of the owners of the grain, thereby relieving the country warehouseman of liability.

One licensed warehouseman who licensed three warehouses last year, and who wanted to indulge in the practice of shipping grain and issuing receipts to depositors at subsequent dates, or treating the grain as purchased at the time it was first tendered the warehouseman, had a depositor demand warehouse receipts some months after he had supposedly stored his grain. The warehouseman took the position that he bought the grain at the time it had been delivered to the warehouse, but the depositor refused to acknowledge that position and insisted on having warehouse receipts. The Department supported the depositor in his position and advised the warehouseman that such a practice had to cease or his licenses had to be surrendered. The latter finally took place. With the cooperation of the State and County Committeemen in an educational campaign among growers, this dangerous practice should be defeated shortly.

H. SPECIAL ASSIGNMENTS

During the year the supervisor of the southwestern grain area held a meeting with the Kansas State PMA Director and county directors and State agricultural personnel with reference to the proper storage of grain and the need for farmers to demand warehouse receipts which definitely set forth the obligations of the warehouseman. The purpose of this meeting was to give a first-hand picture of the dangers that are inherent in certain practices in that area with a view to their carrying on an educational campaign among the producers. On several occasions this same supervisor met with various members of the faculties at the Kansas and Oklahoma Agricultural and Mechanical Colleges at Manhattan and Stillwater, respectively, with a view to acquainting them with the work in connection with the administration of the Warehouse Act. They, in turn, could place proper emphasis on certain subjects to students majoring in agricultural economics, agronomy, or business administration so as to develop young men who might be interested in joining the examining staff of this Division.

The supervisor in charge of the Raleigh area met with the Chairman of the Board of Bank Examiners of the State of South Carolina for the purpose of informing him on the value of Federal warehouse receipts and the administration of the United States Warehouse Act, with a view to having State Bank Examiners give full credit to Federal warehouse receipts which might be lodged as collateral to loans made by banks. Apparently the chief of the examining board was satisfied that the Warehouse Act and the method of administration make for sound collateral, and no further question has been raised by bank examiners regarding Federal warehouse receipts.

During the year the supervisor of the Indianapolis area office took part in the Grain Elevator Management School operated by the University of Illinois Extension Service in cooperation with the Country Elevator Institute of Illinois.

Another new development was the licensing for the first time of an elevator in the Minneapolis market. Arrangements were made with State officials whereby they permitted the State inspectors and weighers to become licensed under the Federal Warehouse Act. This arrangement has made for a free entry into that market notwithstanding that heretofore there had been opposition on the part of the State Department. It is thought that this development may foreshadow further developments in that market as other warehousemen are watching this operation with interest. Some have already talked about obtaining Federal licenses.

I. DEMAND FOR SUPERVISION AND PERSONNEL PROBLEM

As indicated earlier, the standard of supervision has not been maintained. Cotton warehouses have been inspected an average of about 2.5 times per year. In the Indianapolis and Wichita grain areas not more than 2 examinations per house per year have been made, and in the Pacific Northwest area it has not been possible to make one complete round of examinations of all houses in the past year. Meanwhile stocks in warehouses have increased considerably, to say nothing about the demand which we have had for increased licensing of new facilities, both from warehousemen who are already under license and from warehousemen who have not been licensed heretofore. Even if not a single additional new license were granted, it would be necessary to add 13 additional examiners to the cotton examining staff to make the same number of inspections of cotton warehouses as was made this past year. And it will be necessary to make additions to the grain staff if we are to raise the standard of supervision with respect to quality and frequency of examination, both of which are needed. The piling up of stocks in warehouses is bound to increase not only the amount of commodities that must be inventoried but also the difficulties incident to inventorying. Table 3 shows the number of receipts issued during 1947 and 1948 by two field offices in the grain-producing area and by five offices in the cotton-producing area. The table also shows the stocks of grain and cotton for which the receipts were issued.

A decided increase in number of receipts issued and stocks in warehouses took place during 1948 as compared to 1947, which was due largely to increased stocks within practically the same licensed warehouses.

From a sound administrative standpoint it has been felt for many years that the number of warehousemen licensed should not exceed the number that can be properly supervised, but instructions were received during the year not to turn down the application of anyone who could qualify. The result is that new licenses are being issued daily, reducing still further the number

of examinations that can be made of each warehouse per year unless the staff of examiners is increased. Heretofore a major difficulty was encountered in obtaining personnel, but during the spring a list of applicants who are promising training material was developed. However, it will take a year or more of apprentice type of service before these applicants can contribute much to the actual inspection of warehouses. The ability to expand the staff as the number of houses licensed and volume handled by them expand depends upon the availability of funds.

Table 3.--Number of receipts issued, and stocks of grain and cotton for which issued, by some field offices in grain- and cotton-producing areas, 1947 and 1948

Field office	1947		1948	
	Receipts issued	Stock	Receipts issued	Stock
GRAIN				
	<u>Number</u>	<u>Bushels</u>	<u>Number</u>	<u>Bushels</u>
Wichita	41,230	142,678,748	102,937	207,408,405
Omaha	15,968	46,919,834	34,447	61,087,797
COTTON				
	<u>Number</u>	<u>Bales</u>	<u>Number</u>	<u>Bales</u>
Atlanta	904,696	904,696	995,922	995,922
New Orleans	849,295	849,295	1,132,737	1,132,737
Memphis	3,072,561	3,072,561	3,647,213	3,647,213
Raleigh	1,248,759	1,248,759	1,306,339	1,306,339
Little Rock	1,745,387	1,745,387	2,194,301	2,194,301

Warehousemen in both cotton and grain territory are demanding more and more licensing and more and more supervision. Many are complaining about the fact that the Department has fallen so far behind in its supervision. In many areas there is a definite and insistent demand by the public for Federal licensing of warehouses. In many of the cotton- and grain-producing States bankers do not want to make a loan unless a Federal warehouse receipt is offered as collateral.

J. EXTENDING THE SERVICE

The above demand does not contemplate any sales promotional work. Not so many years ago Congress was demanding that the Department promote the licensing of warehouses under this law. Each year committees in Congress inquired as to how many warehouses had been licensed and why there were not more. For some years the place was reached where the demand for licenses was greater than could be answered. If the proper personnel were available, there is no doubt that many more warehousemen could be sold on the Warehouse Act in Georgia, Alabama, and perhaps

100 or more in Texas. And California, from which we are getting demands, is an untouched field. In the Pacific Northwest it would not take much effort to double the number of licenses in Idaho, Oregon, and Washington. Warehousemen in the Minneapolis market, which would be the key to the spring wheat area, could no doubt be interested. Evidence accumulates every day that in many of these areas there is very lax warehousing, that there is no supervision, and that the depositing public knows little about what constitutes proper warehousing or how to protect their interests. Since the Government itself, through its various price support programs, is coming more and more in possession of various commodities which are eligible for storage under the Warehouse Act, and since this Act was passed for the deliberate purpose of aiding in marketing, improving the standards of warehousing throughout the country, and protecting the public who patronize the warehouses and those who loan on warehouse commodities, it would seem that it is time to make a careful appraisal of the warehouse situation throughout the country with a view to making available to the public and the Government itself the benefits that can be obtained through the Warehouse Act. This service, however, can be accomplished only by an adequate and competent staff to supervise properly the warehouses under license and to explain good warehousing practices to others.

TRANSPORTATION FACILITIES DIVISION

The movement of agricultural commodities continued at a high level during the fiscal year with a narrow margin of safety in the amount of transportation facilities available for the movement of agricultural commodities. Under our Marketing Farm Products project the Division carried forward its program of estimating and advising the railroads of prospective requirements for the movement of major crops to assist in assuring an adequate car supply in order to avoid losses or deterioration from spoilage due to lack of prompt handling. While actual car shortages were less numerous and of shorter duration, the supply has been tight during periods of heavy loading. Increased grain storage problems resulting from the accumulation of surplus supplies has required additional attention to that phase of the work.

Because of the necessity for the prompt and dependable movement of agricultural commodities and the importance of obtaining improved efficiency in carrier operations, increased emphasis has been placed upon obtaining better utilization of equipment and investigating delays resulting from slow movement through terminals. This work was authorized under a Research and Marketing Act project.

The first quarter of the fiscal year was characterized by a continuation of the high levels of railroad traffic which prevailed in postwar years. During the second quarter, however, a downward trend in total rail carloadings developed which continued through the balance of the year, with total carloadings since January 1, 1949, averaging about 9 percent below the same period of 1948. Factors contributing to that trend were: (1) The mild winter in the eastern part of the country which cut the consumption of coal, a heavy

tonnage producer for the railroads; (2) some tapering off in industrial production and general business activity; and (3) diversion of traffic from railroads to other forms of transport.

While it is not possible at this time to analyze the amount of the decline in rail shipments of all products of agriculture, it is believed that the decline has been less than that of other products. Total railroad carloadings are estimated to be approximately 6.3 percent below those of the previous fiscal year, while the total carloadings of grain and grain products, fresh fruits and vegetables, and livestock are estimated to be about 2.6 percent less.

I. TRANSPORTATION FACILITIES

A. RAILROADS

During the first part of the fiscal year there were shortages of boxcars for the movement of agricultural commodities and open top cars for the movement of fertilizer materials, but those shortages were not as severe nor of as long a duration as in the same months of 1947. The refrigerator car supply has been tight at various periods throughout the fiscal year with minor shortages developing at periods of peak movement or resulting from dislocation of cars because of severe winter weather.

Good management in the distribution of cars has helped keep shortages at a minimum. One of the functions of this Division is to anticipate car requirements for the movement of the principal agricultural commodities that move in large volume and advise the carriers with respect to those requirements to assist them in making provision for cars to move the various crops.

A relatively small increase in the general demand for boxcars and refrigerator cars would again bring the problem of acute car shortages to the fore. There can be no assurance that the period of emergency is past because our freight car fleet would prove inadequate to meet any substantial increase in volume above present levels. As the fiscal year closed, local shortages of cars for the movement of grain appeared in Southwestern States, where the wheat harvest was underway. Installations of new freight cars by all domestic railroads and car lines did rise encouragingly during 1948 totaling 112,647 units as compared with only 68,522 in 1947. However, the present rate of car construction is rapidly diminishing the backlog of orders, and lack of additional orders threatens to overcome the progress already made in the rehabilitation and improvement of the freight car fleet. This gives cause for some concern regarding the prospects for meeting essential equipment needs because, as present orders are completed, retirements of old cars will again deplete the existing fleet. In December 1948, orders for 8,368 new cars were placed with the car building plants. In January new orders declined to 1,568 cars with the succeeding four months averaging only 355 cars. It is also reported that during recent months there have been some cancellations of orders

previously placed. New freight cars of all types for domestic use on order and undelivered on June 1, 1949, numbered only 52,261 cars compared with 103,896 on January 1, 1949, and the postwar peak of 134,676 on order May 1, 1948. Boxcars on order June 1 were approximately one-fourth those on order a year ago.

The serviceable ownership of all freight cars of Class I Railroads (total ownership less cars awaiting repairs) totaled 1,738,423 on June 1, 1949, 1,753,037 January 1, 1949 and 1,740,378 on January 1, 1948. For the same dates serviceable boxcars were 684,860, 697,527, and 700,320, respectively. Up to this time there has been continued improvement in the quality of available cars through the rebuilding and general rehabilitation of old equipment.

Out of the total number of freight-carrying cars owned by Class I railroads on January 1, 1948, based on the date originally built, more than 56 percent were over 20 years old according to information published by the American Railway Car Institute. This is, of course, subject to qualification by reason of the fact that many of these freight cars have been rebuilt.

The Office of Defense Transportation, the wartime agency authorized to deal with emergency transportation problems in the interest of national defense, expired on June 30, 1949. All wartime transportation controls which that agency administered are now canceled. General Order 18-A, which required the maximum capacity loading of carload traffic, was suspended effective February 14, 1949, and remained suspended until June 30, 1949, when it was automatically revoked. ODT Order No. 1, relating to less-than-carload freight, was suspended April 16, 1949, to June 30, 1949, at which time it also automatically expired. Another of the last wartime orders retained, ODT 16-C, Export Freight, was revoked effective April 16, 1949.

B. MOTORTRUCKS

The fleet of motortrucks serving the Nation is entirely adequate for the movement of agricultural products and evidences ever-increasing capacity. Intercity carriage of property by motor carriers, including private and for-hire trucks, as published in the annual reports of the Interstate Commerce Commission to Congress from estimates based on Public Roads Administration traffic data for main and local rural roads, shows a total of approximately 78 billion ton-miles during the year 1947. Truck ton-miles rose steadily to a high of about 57 billion in 1941, declined thereafter to the lower level of 48 billion during the war year 1943, and since that time have recovered rapidly to the record volume of 1947. It is expected that truck traffic will show further substantial increases in 1947 and 1948, as there are indications of continued diversion to trucks of traffic which formerly moved by rail.

Manufacturers of motortrucks report that factory sales of motortrucks for the domestic market totaled 1,162,589 units in 1948 as compared with 971,605 units in 1947. Heavier production and sales are

reflected in registrations which are compiled by the Public Roads Administration, Federal Works Agency, from reports of State authorities. These reports show that there were 7,227,380 motor-trucks and tractor trucks registered and operating as of the end of the calendar year 1948, which figure compares with 6,512,628 (revised) at the end of 1947, 5,725,692 for 1946, and 4,834,742 in the year ended December 31, 1945.

C. INLAND WATERWAY BARGES

Increase in the construction of modern barges used on the inland waterways from January 1, 1948, to April 1, 1949, is shown in statistics prepared by the Statistical and Research Department of the Waterways Operators, National Association of Private Carriers and Shipbuilders. In the first three months of 1949 there were 34 non-self-propelled vessels constructed with a gross capacity of 15,211 tons. In the calendar year 1948, 148 such barges were built with a gross capacity of 84,983 tons, thus increasing the capacities of the inland water carriers approximately 100,000 gross tons in that period. There were also constructed about 30 tow boats, nearly all of them of the modern diesel-powered type capable of pushing from 12 to 20 modern loaded barges.

II. IMPROVED UTILIZATION OF EQUIPMENT

A. STUDIES OF RAILROAD SERVICE AND OPERATING EFFICIENCY

Continuation of our investigation and study of freight car delays commanded major attention this year. Reference was made in our report of the previous year to the recommendations of the Transportation Industry Advisory Committee, organized under provisions of the Research and Marketing Act of 1946, that an investigation of car shortages and car delays be made for the purpose of obtaining improved efficiency in the handling of existing railroad equipment so that products of the farm and farm supplies may be moved more expeditiously and without loss. Following out this recommendation, such a study was undertaken in February 1948, and completed early in 1949, in time to permit summary exhibits of the detailed analysis to be introduced in evidence at hearings before the Interstate Commerce Commission in Ex Parte 168, Increased Freight Rates 1948, as recommended by the Advisory Committee.

The study covered carlot shipments made during November and December 1947 and from March through June 1948. Data were obtained from records of the Department of Agriculture and from information furnished this office by several cooperative associations. These data included a comprehensive sample of carlot shipments of commodities such as bulk grain to Gulf ports and to the East; flour to Gulf ports and eastbound; cereals to the Gulf; canned and dried milk to the Gulf and East; lard, vegetable oils, and other miscellaneous products to eastern destinations; and various items such as feed components, fertilizer materials and other

supplies to the cooperatives at Buffalo, Columbus, Indianapolis, and other eastern destinations.

A general analysis was prepared by this Division in exhibit form on 23,084 cars, broken down by car service districts of traffic origination. The basic detail shown included car initial and number, points of origin and destination, shipping and arrival dates, days in transit, normal scheduled time, car-days delay, routing, and mileage. Each route was summarized giving the following information: number of cars shipped; number and percent delayed; the totals and averages of actual and normal transit days; range of delay per car delayed; total days delayed and average per car delayed; and the number of cars requiring double the normal transit time, or longer, and the percentage of total cars shipped.

Excluding cars not summarized by districts, table 4 shows that 10,815 cars moved in all districts, during the 1947 period, 3,536 in the Eastern District, 772 in the Southern District, and 5,689 cars in the Western District; while in the 1948 period, out of a total of 12,269 cars, 4,550 originated in the Eastern District, 1,074 in the Southern District, and 4,228 in the Western District. Table 4 also shows, as determined from the analysis, average car delays in relation to actual and estimated normal transit time.

Table 4.--Number of cars delayed and average number of days delayed in relation to actual and estimated normal transit time, by district, 1947 and 1948

District	Year	Total : cars shipped	Total : cars delayed	Average : actual transit : days	Average : normal transit : days	Average : delay : per car : delayed	Number of cars requiring double normal transit days or longer	Percent
		Number	Number	Days	Days	Days	Number	Percent
Eastern	1948	4,550	3,755	5.20	2.96	2.74	1,758	38.6
	1947	3,536	2,788	5.24	2.88	3.07	1,543	43.6
Southern	1948	1,074	954	6.33	3.87	2.77	293	27.3
	1947	772	635	6.43	4.00	3.00	182	23.6
Western	1948	4,228	3,746	6.86	4.13	3.10	1,284	30.4
	1947	5,689	5,175	7.99	4.69	3.66	1,888	33.2
Totals								
All Districts	1948	9,852	8,455	6.04	3.57	2.90	3,335	33.9
	1947	9,997	8,598	6.90	3.99	3.42	3,613	36.1
Total All Cars								
United States	1948	12,269	10,600	6.23	3.67	3.00	4,204	34.3
	1947	10,815	9,226	6.95	4.07	3.43	3,836	35.5
Combined both periods		23,084	19,826	6.57	3.86	3.20	8,040	34.8

Approximately 85 percent of the cars in both periods were found to have been delayed one day or more. In this group of 85 percent, the average delay to these cars represented 3.43 days or 84.3 percent that actual transit time exceeded normal in 1947, as compared with 3.00 days or 81.7 percent in 1948.

The last column of the table indicates that the number of cars that were delayed double the normal transit time, or longer, was 3,836 cars or 33.5 percent of the total cars shipped during 1947, and 4,204 cars or 34.3 percent of total cars in 1948. Delays were as high as 34 days in 1947 and 30 days in 1948. The slight improvement shown for the 1948 period over 1947 reflects the easier operating conditions of the spring months, particularly in May and June, when most of the shipments moved.

In connection with the analysis of car delays by routes a great difference was found in the performance of individual railroads, the record showing some of them to have been relatively very good, others not so good, and others very poor. In arriving at the normal transit days on individual movements, the determination of the normal time was based upon the advertised schedules and time cards of the railroads. Adequate time was allowed for the placement of the car in outbound trains, handling through intermediate yards, and interchange, if any, by the carriers over the routes the car traveled. These schedules reflect the service that could reasonably be expected from the carriers based upon prewar standards of traffic movement.

One of the important problems that railroads face today is that of reducing operating costs in order to realize a reasonable rate of return on net investment. One of their best opportunities for doing this is by reducing the cost per unit of traffic through the development of better operating procedures. It is estimated that freight cars are actually moving only about 3 hours a day. Motortrucks making long-distance hauls move 12 hours a day, while cargo planes move 10 hours.

B. EX PARTE 168--INCREASED FREIGHT RATES 1948

As indicated earlier, the car delay study was completed about the time that hearings in Ex Parte 168 were scheduled before the Interstate Commerce Commission during March 1949. In that case the Department of Agriculture took the position that the railroads were not entitled to receive additional rate increases until they could demonstrate that their operations were being conducted with efficiency. The Chief of this Division appeared as a witness for the Department, presenting as an illustration of one type of inefficiency a statement in oral testimony and supporting exhibits based upon evidence from findings of this study. Sets of the basic details were also made available to the presiding commissioners, members of their staff, the railroads, and the State Utility Commissions.

It is evident that the loss of car-days on loaded cars reduces the number of empty cars available for loading. If the turn-around time of 14.29 days on all cars loaded in 1948 had been reduced by only one day, it would have been equivalent to adding approximately 117,700 cars to the railroad fleet. Better utilization of present carrier equipment would lessen the total number of cars needed to be maintained in service and cut down the investment in rolling stock required to handle the traffic.

The average of unit prices of freight cars purchased by Class I Railways in 1948, as recently reported in Railway Age, was \$4,640. Using that average price, the investment that would be required to purchase 117,700 cars would be over 546 million dollars.

Failure to keep cars moving through yards and terminals also necessitates additional handling and switching with accompanying increased yard and terminal costs. One of the exhibits presented showed a comparison of the number of cars handled by switching and terminal companies for the United States and by districts for the years 1935 through 1947. This comparison reflected a decline in the efficiency of performance. For the United States as a whole, the number of cars handled per locomotive hour during the five-year period 1935-1939 was 7.04 cars, while in the five-year period 1943-1947 it was 6.36, a decline of 9.7 percent. In the last year shown, 1947, the average was 6.25 cars handled per locomotive hour, the lowest for any year.

Another table in this exhibit showed yard and road-haul locomotive-hours and minutes per freight car-day and yard and road-haul locomotive-hours per car loaded for the years 1935 through 1948. This table also indicated the ratio of yard switching to road-haul locomotive in freight service to be higher in 1947 and 1948 than in any of the previous years.

Yard-switching locomotive-minutes per active freight car-day increased from 3.56 minutes in 1935 to approximately 5 minutes in 1947 and 1948. Yard-switching locomotive-hours per car loaded increased from 1.014 in 1935 to a high of 1.351 in 1943. Thereafter, they declined slightly to 1.273 in 1947, and were 1.302 in 1948. As would be expected, the performance of road-haul locomotives has improved since the war, returning to about the prewar averages. Changes in the average length of haul probably has had some influence. The road-haul locomotive-minutes per active freight car-day increased from 3.15 minutes in 1935 to 4.18 minutes in 1943, thereafter declining to 3.70 in 1947 and 3.44 in 1948. The low point for road-haul locomotive-hours per car loaded was .847 in 1940, increasing to 1.165 in 1943, thereafter declining to .901 hours in 1948.

Rebuttal evidence was filed by the carriers to which we made reply. The decision in the case was pending at the close of the fiscal year. (Further discussion of this case can be found on pages 86-88 in the section entitled "Transportation Rates and Services Division.")

III. DEVELOPMENT OF PROGRAMS TO MEET EMERGENCY SITUATIONS

A. PROGRAMS FOR TRANSPORTATION AND STORAGE OF GRAIN

One of the most serious problems each year has been in connection with the transportation and storage of grain. Since

early in the war years and through part of the 1948 harvest season the principal difficulty was with shortages of boxcars. Midway through the 1948 season, however, the terminal and subterminal elevators became filled, and it became necessary for the railroads to apply embargoes to prevent congestion. A large part of the 1948 crop went under loan, which modified the demand for cars until the maturity date, April 30, 1949, when it became necessary to move large amounts of loan grain from farms and country elevators to make way for the new crop.

As the 1949 harvest got under way terminal and subterminal elevators in the Southwest had in store about twice the amount held at the same time in 1948. Since it seemed that the remaining space would fill rapidly, the railroads applied an embargo against the markets (other than Gulf ports) except when the grain was for sale or when definite arrangements for storage had been made.

B. GRAIN TRANSPORTATION AND STORAGE 1948

As indicated in our report of the past year, this Division began preparations well in advance of the 1948 harvest season to survey grain transportation and storage conditions by counties in heavy producing western winter and spring wheat States. Information was obtained directly from County Agricultural Conservation Committees through the cooperation of the Office of the Assistant Administrator for Production, PMA, and the State PMA Committees.

A preliminary analysis based upon estimates of production and carry-over stocks of grain was made for each of the States to determine the amount of farm and country elevator storage capacity that would be available to house the grain. It was determined that county reports would be obtained only in those States where the problems appeared to be most acute or critical.

Starting with the State of Colorado, arrangements were made to receive weekly reports from the principal wheat-growing counties showing the progress of the harvest, the amount of grain needing transportation for lack of storage, grain on the ground on farms and at or near rail right-of-way, the number of cars loaded, and cars that could have been loaded if available. The reports came to this office each week throughout the 1948 harvest during the period of emergency, where they were summarized in the form of a regular weekly release for information to the railroads, the grain trade, Federal and State agencies, and others concerned with the movement and storage of grain.

As the harvest progressed northward into the spring wheat area, it was also found necessary to extend our grain transportation and storage survey to the States of North and South Dakota and Montana. The weekly reports were discontinued in each State as the crisis passed. Situations that appeared most serious were followed up with the railroads.

C. GRAIN TRANSPORTATION AND STORAGE 1949

In view of the near record production of winter wheat this year, indicated by the Crop Reporting Board of this Department, and the greater amount of grain stored in terminals in the Southwest than at this time last year, arrangements were again made through the Office of the Assistant Administrator for Production, PMA, and PMA State offices to obtain weekly reports from the County Agricultural Conservation Committees in heavy wheat-producing counties of the winter wheat belt. Weekly reports supplying current data on the grain storage and transportation situation similar to those issued in previous years were released for the information of the railroads, Federal and State agencies, and others concerned with the marketing of the wheat crop.

Our preliminary analysis of the grain situation on farms and in country elevators based on current estimates for selected major winter and spring wheat-producing States indicated that these facilities for storing grain would be seriously deficient relative to requirements in the States of Texas, Oklahoma, and Kansas, inadequate but less critical in the States of Colorado and South Dakota.

Additional information was requested this year to indicate the estimated amount of wheat held back from shipment during the week because of lack of storage space at terminals in recognition of the more limited amount of terminal space available to which grain may be shipped for storage.

D. PROGRAM ON TRANSPORTATION OF FRUITS AND VEGETABLES

Although the railroad movement of fresh fruits and vegetables has been about 6.45 percent less than in the previous fiscal year, the smaller number of refrigerator cars available to handle the traffic has required careful and judicious distribution of the fleet by the refrigerator car lines under the guidance of the Association of American Railroads and backed by the authority of the Interstate Commerce Commission to keep sufficient cars available for loading at the right times and places.

To assist in the measuring of car requirements for fruit and vegetable loadings, this Division prepares and issues monthly estimates of the prospective movement of fresh fruits and vegetables by areas and by type of commodity for each of the three succeeding months. These estimates are furnished to the car lines, the railroads, numerous fruit and vegetable shippers' associations, and ice manufacturing companies. The latter use the forecasts as a guide to the amount of ice that will be needed to service refrigerator cars in future months.

IV. MISCELLANEOUS ACTIVITIES

A. REFRIGERATOR CAR ADVISORY COMMITTEE

The Chief of the Division, as the representative of the Department, attends the regular meetings of the National Refrigerator Car Advisory Committee.

The Committee, operating under the authority of the Interstate Commerce Commission, reviews refrigerator car requirements, advises the Agent of the Interstate Commerce Commission who acts as coordinator of the car lines in the distribution of cars, and makes recommendations to the Interstate Commerce Commission with respect to the establishment of emergency orders for the conservation and use of equipment.

B. ACTIONS TO MEET CAR SHORTAGE

While, as has previously been mentioned, car shortages were not as numerous or as serious during this year, we have handled many complaints of shortages of cars for the movement of various agricultural commodities and obtained relief in the affected areas.

C. GRAIN STORAGE EXPANSION PROGRAM

A representative of the Division has served on several Department Committees and groups assigned to study grain storage problems, and various analyses have been made and submitted which contributed to the work of those groups.

D. LEGISLATIVE MATTERS

A number of bills introduced in the Congress during the fiscal year relating to transportation matters or proposing changes in existing laws were reviewed to determine the possible effects upon the transportation of agricultural commodities. No action was necessary on any of these bills except with respect to the extension of authority for controls over railroad transportation, which we recommended.

E. INTERAGENCY COMMITTEE ON TRANSPORTATION

During the fiscal year members of the staff of the Division have served on a number of interagency committees dealing with various transportation subjects. These include the Interagency Advisory Committee on Aviation Statistics; the Transportation Subcommittee, Interdepartmental Committee on Federal Statistics; the Transportation Subcommittee, Interdepartmental Committee on Standard Industrial Classification; and the task group on Inland Water Transport of the National Security Resources Board.

F. STUDY ON EFFECT OF RECIPROCAL SWITCHING

Under one phase of the project on freight car utilization carried out under the Research and Marketing Act, a preliminary study was made of switching practices by railroads at Baltimore, Maryland. This is a project recommended by the Transportation Advisory Committee and certain other Industry Advisory Committees to determine the effect of lack of reciprocal switching in eastern cities on the efficient utilization of freight cars and upon the freedom of movement of agricultural commodities by railroads in that area. It will be followed by a more comprehensive study and broadened to include other cities in the coming fiscal year.

TRANSPORTATION RATES AND SERVICES DIVISION

Activities of the Transportation Rates and Services Division during the past fiscal year have been dominated largely by the "ex parte" proceedings. The rail carriers' efforts in a series of ex parte petitions have resulted in the advancement of all freight rates throughout the country despite the strongest possible opposition. The cumulative increases to June 30, 1949, over rates in effect on June 30, 1946, according to the carriers' own deductions, amounted to 51.7 percent. Some products have sustained increases in amounts in excess of this figure. One of the most noteworthy insights in the railroad transportation picture is that these increases have in many instances become self-defeating because of severe diversion of tonnage to other methods of transportation.

Should the railroads of this country receive permission to publish additional increases in freight rates and do so, such action would tend to create further tonnage losses. Some railroad executives, however, now apparently realize that they must not apply additional over-all increases, and perhaps at least in instances must reduce rates under the present basis if they are to recapture lost tonnage or prevent further losses to motor-trucks and other modes of transport. As an example of what is occurring, a release issued by the Association of American Railroads shows carload traffic of 18,735,980 cars for the first 6 months of 1949 as compared with 20,827,510 cars for the same period of 1948 and 21,611,373 for 1947. Losses in tonnage in 1949 were 10.04 and 13.30 percent as compared with 1948 and 1947 respectively. If the same percentage losses should apply on an annual basis, the losses in 1949 compared with 1948 would be 4,300,524 cars and compared with 1947, 5,918,791 cars respectively.

In this connection it should be pointed out that the Office of Defense Transportation canceled its order No. 18-A as of April 16, 1949, which, when in effect, required generally the loading of all cars to full visible capacity. The result of this recent cancellation is that railroad cars are not being loaded as heavily as they were during the war years, including 1946, 1947, and 1948. Therefore, the railroads are hauling not only fewer cars but more lightly loaded cars.

Reports are available of shippers being forced to reduce their transportation costs in order to stay in business. This situation has promoted the purchase and operation of motor-trucks by private organizations for transporting their own tonnage. The savings effectuated in this manner by some of these organizations have been so attractive that it is doubtful whether, even if the railroads were to reduce their rates to the old and lower levels, they could recapture all of the lost tonnage.

The Division participated in 97 freight rate actions during the past fiscal year. Of 52 cases before the Interstate

Commerce Commission, 28 were concluded (23 favorably) and 24 are still pending. One case litigated before the Maritime Commission is still under consideration by that body. Of 40 proposals negotiated directly with the railroads, favorable consideration was received in 25, 2 were denied, and 13 are still awaiting final action. Two proposals were negotiated in connection with water rates, one favorably and one still pending. Two court cases in which the Division had a part were decided in our favor.

In a report of this kind, it is difficult to record all the facts necessary to show the importance of every project. The description of our activities in the following pages therefore is designed to present a cross-section of our operations. A number of activities and accomplishments before regulatory agencies and rate-making bodies are discussed. There is no wish to leave the reader with the impression that this Division, in all instances, made these accomplishments without assistance from others. Many operations were carried on in cooperation with farm and trade groups, State agencies, and many others. However, it is difficult to mention specifically all such cooperating parties. In formal cases oftentimes some of the Division's associates are not known until the time of hearing.

I. RAILWAY FREIGHT RATES

A. GENERAL ACTIONS

1. Increased freight rates, 1947--Ex Parte No. 166. Our last annual report listed the events of this proceeding up to the end of the fiscal year. To recount briefly, the railroads petitioned the Interstate Commerce Commission for authority to increase their rates generally 15 percent within and between Southern and Western territories, and 25 percent within Official territory and between Official territory, on the one hand, and Western and Southern territories, on the other. Certain maxima were proposed on specified commodities.

Before any hearing had been held, the railroads, by supplemental petitions, raised their request to 28 percent and 38 percent, respectively. Subsequent to the first hearing the Interstate Commerce Commission authorized a temporary increase of 10 percent, which became effective October 13, 1947. Seven regional hearings were held, and just prior to the last one the railroads again raised their proposal to 31 percent and 41 percent.

On December 30, 1947, a further temporary increase of 10 percent was granted, the total interim then becoming 20 percent. In this order no special treatment was accorded agricultural products, but protective services and demurrage charges were exempt. An informal request was made of the carriers for maximum increases on certain commodities and on January 13, 1948, maxima

were voluntarily published, as follows: Fresh fruits and vegetables, 20 cents per cwt.; cotton, 10 cents per cwt.; agricultural limestone and marl, 30 cents per ton; vegetable oils, 18 cents per cwt.; sugar, 18 cents per cwt.

A third authorization was issued on April 13, 1948. This time the Commission permitted cancellation of all previous authorities and substituted, still on an interim basis, increases of 30 percent in Eastern territory; 25 percent in Southern territory; 20 percent in Western territory, with some exceptions; 20 percent between the West and the South; and 25 percent between the East, on the one hand, and the West and South, on the other. This order permitted a 10-percent increase in protective services and again exempted demurrage charges. It also held down the increases on grain and grain products to 25 percent in Eastern territory. Certain specified maxima were recommended on several commodities, including cotton, 11 cents per cwt.; fresh fruits and vegetables, 22 cents per cwt.; fertilizer and fertilizer materials, \$1.60 per net ton or \$1.80 per gross ton; limestone and marl, 33 cents per net ton; vegetable oils, 20 cents per cwt.; phosphate rock, \$1.20 per net ton; sugar, 20 cents per cwt.

A final report and order in this proceeding was released on July 27, 1948. This order superseded all previous orders and authorized final and definite increases as follows: Within Eastern territory, 30 percent; within Southern territory, 25 percent; within Zone 1 of Western territory, 25 percent; within Western territory, (except Zone 1), 20 percent; interterritorially between Southern and Western and between those territories and the East, 25 percent; and between Western territory, (other than Zone 1), and Zone 1, 22½ percent. This order also increased protective charges 15 percent, but exempted demurrage charges.

Certain maximum rates were again recommended, such as: Grain and grain products in Eastern territory, 25 percent; cotton, 11 cents per cwt.; fresh fruits, except citrus, and edible nuts, 22 cents per cwt.; fresh citrus, 20 cents per cwt.; fresh vegetables, 22 cents per cwt.; vegetable and nut oils, 20 cents per cwt.; wool and mohair, 30 cents per cwt.; phosphate rock and superphosphates, 8 cents per cwt.; agricultural limestone and marl, 1½ cents per cwt.; sugar, 12 cents per cwt. Inconsistencies in this last order were, in some cases, handled with carriers for voluntary adjustments. For instance, the maximum on fresh fruits and vegetables was reduced to the fresh citrus level of 20 cents per cwt.; raw peanuts were included under edible nuts at 22 cents per cwt. maximum.

The authorized increases were published to become effective August 21, 1948, and at that time became a part of the permanent rate structure. The Interstate Commerce Commission estimated that the total increase in net freight revenues as a result of its authorization in this proceeding alone approximates 22.6 percent. Superimposed on the previous authorization in Ex Parte 162 (reported by us last year) this action brought the total

increase in net freight revenue to carriers since January 1, 1947, up to approximately 44 percent.

2. Increased freight rates, 1948--Ex Parte 168. Six days after the increases authorized in Ex Parte 166 became effective the railroads filed another petition with the Interstate Commerce Commission for permission to make still another increase in the coal and iron ore rates. On October 1, 1948, this petition was withdrawn and replaced with another proposing a general increase on all commodities of 8 percent. This was again amended on October 12, 1948, to 13 percent because of certain wage adjustments granted certain railroad employees. The Interstate Commerce Commission again announced a hearing at Washington, D. C., on November 30, 1948.

At that time universal opposition was voiced by the shipping public against the plea of the railroads to make this increase effective immediately pending the usual series of hearings and arguments. After consideration, the Commission permitted interim increases of 6 percent within the East and South; 5 percent within Zone 1 of Western territory; 4 percent within the balance of the West; 6 percent between the East and the South; and 5 percent between the East and West and between the West and South. Certain maxima were again provided: 6 cents per cwt. on fresh fruits, vegetables, and melons, and 4 cents per cwt. on sugar and lumber. No increase was permitted on protective service charges, demurrage, loading or unloading livestock, and unloading fresh fruits and vegetables at New York and Philadelphia.

These authorized increases which became effective January 11, 1949, are to be added to the total amount of the freight bill, exclusive of transportation tax, after proper elimination of non-increased items. After announcement of this interim adjustment, the Interstate Commerce Commission held hearings at Chicago, Ill.; Montgomery, Ala.; San Francisco, Calif.; Salt Lake City, Utah; and Oklahoma City, Okla., with a final hearing and argument at Washington, D. C., in May 1949.

The Division was active in all phases of this case, seeking to eliminate any increases on agricultural products. A petition was filed at the first hearing, asking that the Commission, before any further hearings or investigation on its own account study the operation of the petitioning railroads to assure itself and the shipping public that the carriers are being operated in the most efficient and economical manner as required by Section 15-A of the Interstate Commerce Act. The petition was denied.

Many members of the staff participated directly or indirectly in this proceeding, and special assistance was employed for it. The livestock transportation specialist presented a verified statement on the rates on livestock and fresh meats. The protective service angle was covered by our transportation specialist, both by verified statement and by suggestion and facts for argument.

The Transportation Facilities Division supplied witnesses. Much data were supplied to other agricultural interests for their use in evidence and argument. Meetings were arranged before the Washington and San Francisco hearings for the correlation of the evidence of the agricultural advocates.

The Interstate Commerce Commission has the case under consideration, and a final report is expected momentarily. (Shortly after the close of the fiscal year the Commission awarded the carriers an increase of about 9 percent. No increases were granted on protective services, and limits were placed on the amount of the increases permitted on some agricultural commodities.)

3. Classes and commodities. The third supplemental order of the Interstate Commerce Commission in Ex Parte 166 authorized maximum increases in freight rates of 20 percent in Western territory, including Zones 2, 3, and 4, other than Zone 1 of Western Trunk Line territory, and 25 percent to, from, and within points in Zone 1. This order adopted the description and boundaries of Zone 1, as previously laid down in Western Trunk Line Class Rates (Docket 17000, part 2). Finding 5 of the report in this last mentioned proceeding specifically stated "... and points on boundary lines will be treated as within the zone of which the line forms the boundary. ..."

The Western Trunk Line rail carriers literally observed the Commission's order and intention in publishing their tariff X162, but in the effort to obtain more revenue, issued a supplement to their tariff X166 placing all points on the boundary lines well within Zone 1, thereby adding 5 percent in increased revenue on traffic moving between such border points and points in Western territory generally.

This Division immediately protested this unauthorized increase and requested suspension of the supplement pending investigation. The supplement was suspended under I&S Docket No. 5587. A short time later the carriers withdrew and canceled the offending supplement, and the proceeding was discontinued.

About 60 days later, the fourth and so-called final order in Ex Parte 166 was released by the Interstate Commerce Commission, and in addition to adopting the same boundary lines for Zone 1, the percentage increase on inter-territorial traffic was reduced from 25 percent to 22½ percent. So, instead of picking up 5 percent more on certain traffic, the Western Trunk Line Zone carriers were facing a loss of 2½ percent on all inter-territorial traffic.

The carriers immediately issued a new supplement to tariff X166, placing all points on and west of the Mississippi River, including points in Wisconsin, in various groups, and published percentage increases within and between each group. In this way, the percentage increases between points on the boundary lines of Zone 1, also between those points and other Western points,

could be fixed at 25 percent instead of 20 percent, and the reduction of 2½ percent on Zone 1 interterritorial traffic could be practically eliminated.

This Division immediately protested these unauthorized increases and requested suspension of the offending supplement pending a thorough investigation into the intent of the Commission's latest order and the manner in which the carriers had interpreted its provisions. It was pointed out that many sections of the Act had been violated, and that this was the second attempt of this kind in the short time of approximately 60 days. The supplement was suspended under Docket I&S 5600, and hearing was scheduled October 18, 1948 in Denver, Colo. Before the hearing date the carriers withdrew and canceled the suspended supplement, and the proceeding was discontinued. When consideration is given to the fact that the rates on all classes and commodities, including grain, livestock, packing-house products, fruits and vegetables, fertilizer and fertilizer materials, etc. moving to and from the large cities on the Missouri and Mississippi Rivers, and that the vast Western territory would have had to bear an additional 5-percent increase in the already doubly increased freight rates, there is no doubt that the savings in freight charges from these actions amounted to millions of dollars during this fiscal year and will so continue each year unless changes are made.

B. ACTIONS ON FRUITS AND VEGETABLES

1. Fresh fruits and vegetables--unloading charges (I&S Docket No. 5500). In the report of last year it was explained that the proceeding was caused by the attempts of railroads serving New York and Philadelphia to assess charges for unloading fresh fruits and vegetables from cars to docks accessible to the consignees or owners. At the time of publication the charges averaged \$30 per car. Following the usual procedure in such cases, a hearing was held, briefs were filed, and two arguments were heard by the Interstate Commerce Commission.

In its final report and order the Commission found the proposed charges justified, and they were published and became effective November 1, 1948. Further, without authority, the railroads made the charges subject to the 30-percent increase authorized in Ex Parte 166, which raised the average per car charge to about \$40.

Petitions were filed by all interested protestants in the case, including this Division, for reopening and reconsideration. After a considerable lapse of time the Commission announced on June 10, 1948, that the case was reopened for rehearing at New York City on September 20, 1949. In the meantime the charges are being paid and added to the cost of marketing fresh fruits and vegetables in the cities involved.

2. Fresh vegetables--estimated billing weights (Docket 29645). This case was cited briefly in our previous annual report. It involved the estimated billing weight on carrots from production areas on the Pacific Coast and in New Mexico and Texas. The Interstate Commerce Commission had admonished the railroads serving those districts to revise their published estimated billing weights to reflect more nearly actual average weights. An extensive weighing program was conducted, following which hearings were held in Texas and California.

The Division participated only by cross-examination at the hearings and with the Solicitor's Office through briefs and exceptions to the Examiner's proposed report. Our position was that the estimated billing weights should reflect actual averages, but if any increase in weights were found justified, a comparable reduction in the rate should be ordered so that the delivered cost per package would not be increased.

The report and order were adverse to our position. The Commission made no change in the Pacific Coast and New Mexico billing weights, raised the Texas weights 12 pounds per crate, and ordered some drastic revisions in the specifications for the measurements of the packed crates. The prevailing rates were found just and reasonable under the new weight and container findings.

A petition to have the Commission reopen the old Southwestern vegetable case to prescribe new minimum weights and rates on carrots from Texas was denied. Negotiations with the Southwestern railroads looking toward the same end also failed.

3. Canned fruits and vegetables (I.&S. Docket No. 5544). This proceeding, which started during the preceding fiscal year, grew out of an attempt by Southern railroads to reduce their rates on canned fruits and vegetables from Florida to the northeastern markets. The negotiations leading to the published reduction were participated in by this Division on the theory that a small carload minimum and rate should alternate with a larger minimum and lower rate for full utilization of carriers' equipment. The rates were suspended by the Interstate Commerce Commission on request of various port interests, steamship companies, and competitive canned goods shippers. Hearings were held, briefs filed, and arguments made. In all of these, the Division appeared actively in support of the respondents.

In its report and order, the Commission found the proposed rates just and reasonable, and they became effective October 22, 1948. The reduction in rate amounts to 15 percent, with an increase in minimum weight from 36,000 pounds to 60,000 pounds. Many petitions for reopening were filed by protestants, but the Commission denied them and the adjustment stands.

4. Fresh fruits--South to North (I.&S. Docket No. 5476). In our last annual report we outlined in some detail the case in which the rates on fresh peaches from Southern States to northern destinations were under attack. We reported that the peach shipping

interests with whom we cooperated were successful in retaining the lower, motor competitive rates which had been in effect since 1940.

The railroads since have petitioned for reopening and reconsideration of this matter. The petitions were denied, and the lower basis of rates remains the permanent basis.

5. Combination rates under Ex Parte 162 (I.&S. Docket No. 5553). By schedules filed to become effective January 31, 1948, rail carriers proposed to revise the application of the increases authorized in Ex Parte 162 when applied to combination rates. The effect of the proposal was to ignore completely the maximum increases in cents per cwt. specified by the Commission, and in the majority of cases would have resulted in increases in rates and charges in excess of those found reasonable.

Because many agricultural products move on combination rates and because many such products were subjected to maxima under Ex Parte 162, the Division and many other interests protested and asked the Commission to suspend and investigate the proposed schedules. That was done, and a protracted hearing was held at which several members of the Division testified in behalf of agricultural commodities, principally fresh fruits and vegetables and wool.

In an order dated February 7, 1949, the Commission found the proposed schedules unjust and unreasonable and ordered them canceled. There is little information available as to the financial results of this case, but undoubtedly the reductions are substantial.

6. Protective service against cold in Eastern territory (Docket No. 20769). This investigation by the Interstate Commerce Commission has been under way since 1927. Our reports since 1940 have chronicled various stages, as the Division has been interested in it since that year. The object of the investigation is to ascertain the adequacy of and the charges for heater service on perishable freight.

In April 1945, the Commission ordered the railroads to provide compulsory carriers' protective service against cold (heater service) on potatoes from western origins through to the eastern seaboard. At the same time they ordered the Eastern carriers to provide an optional carriers' protective service on apples and pears from the West to the eastern seaboard and to inaugurate an optional carriers' protective service within the Eastern territory. The first order was complied with but not the second and third. Therefore, the proceeding was reopened for further hearings and findings.

Hearings were held in Boston, Mass.; Chicago, Ill.; Seattle, Wash.; and Washington, D. C. The Division was active in all these hearings, testifying in behalf of the Department as a shipper of

perishable products and also in the interest of the agricultural community. Considerable assistance was given to many interested parties who testified in their own behalf.

As a result of these hearings the presiding examiners have recommended that the Commission order the Eastern carriers to comply with the admonitions prior to the 1949-50 winter season. The only exception is on potatoes originating in Maine because those shippers requested further time to decide their needs.

The Eastern carriers, on June 1, 1949, filed a voluminous brief of exceptions to this proposed report, attacking it on many grounds. The Division and the Office of the Solicitor filed a reply brief on June 27, 1949. Oral argument is set for July 7, 1949.

7. Multiple loading and partial unloading in transit (I.&S. Docket No. 5631). During the war, when railroad equipment was so badly needed, governmental orders required that carriers permit the loading of two or more complete shipments per car from one shipper to two or more consignees, providing no circuitous routing was involved. Also required was the privilege of stopping-in-transit to unload partially large shipments when no unreasonable out-of-route haul was necessary. The rules covering these requirements were published in the Consolidated Freight Classification as a tariff to which all railroads are parties, although such rules are usually published in individual carrier's tariffs.

After the end of the war, the rules were canceled from the Classification but were not simultaneously republished in other carrier tariffs. In certain areas the Department uses these rules in handling its own shipments. Further, the partial unloading rule has proved beneficial to many shippers to whom it was not available previously.

Many interests, including this Division, petitioned the Interstate Commerce Commission to suspend the cancellation of the rules and investigate as to whether their continuance is reasonable. The petitions were honored and the rules remain in effect. In the meantime, various railroad rate bureaus are proceeding with their individual publication of the arrangements so that they may become permanent.

8. Fresh vegetables--estimated weight (I.&S. Docket No. 5651). The Southwestern railroads published a new estimated weight on cabbage in a container which had not hitherto been covered. The proposed weight was believed to be too high and not truly representative. Accordingly, acting with other interested parties, the Division petitioned for suspension of the estimated weight. The Interstate Commerce Commission granted the petitions and did suspend, at the same time setting a hearing in Texas on June 13, 1949. Prior to the hearing the railroads voluntarily canceled the estimated weight and the proceeding was closed.

9. Fresh citrus fruits--Texas to West. For many years the States of California and Arizona did not permit fresh citrus fruits produced in other areas to be shipped into those States. Recently that embargo was lifted and because of a demand arising in the Western States for Texas citrus, some Texas shippers desired to ship to California. They immediately discovered that the rate adjustment westbound was adverse, being much higher than the eastbound rate between the same points.

Informal negotiations were entered into with the railroads involved, and a proposal was filed to equalize the rates. That proposal was supported by this Division. By publication effective November 1, 1948, the westbound rates were reduced to the eastbound level.

10. Fresh citrus fruits--Texas to interstate points. When the railroads serving the Texas citrus producing area reduced their rates on citrus to most all destinations in 1940 for the purpose of meeting competition, the reductions were only applied to the grapefruit traffic. This was because at that time the production and shipment of oranges were not significant.

With the increase in orange production in later years and the beginning of shipments to distant markets, it developed that because of the differential in rail rates most of the oranges moved by motortruck. The rate barrier was exceptionally adverse on shipments of mixed cars of oranges and grapefruit.

A proposal was filed with the interested railroads, asking for an equalization of the rates on these commodities to permit a freer movement by rail. The proposal was supported by this Division. The equalization of rates was accomplished by tariff publication effective October 6, 1948.

11. Fresh vegetables--lettuce from Texas. Shipments of lettuce from origins in Texas have for many years enjoyed an estimated billing weight of 55 pounds per crate. Early in 1949, the Southwestern railroads attempted to cancel the published estimated weight and permit actual weights to apply. Much opposition was registered against this proposal, and a member of the Division appeared with other parties before the Southwestern Freight Bureau. Our position was that until a proper estimated weight was arrived at, the existing weight should not be canceled and that, if the proper weight was found to be higher, comparable reductions in the line-haul rate should be made so that the cost of shipping should not be increased.

The railroads, after consideration of the evidence, proceeded with their original plans and canceled the estimated weight. The action was protested and the Interstate Commerce Commission suspended the tariff pending their investigation. The Division has taken no action in the matter since the meeting with the railroads.

12. Fresh fruits--peaches from the South. The railroads in the South proposed to increase the estimated billing weight on peaches in various containers. The increases averaged about 2 pounds per container. Vigorous opposition was encountered among the peach producers and shippers in the Southern States, and the Division was requested to assist them in the matter. A member of the staff appeared with the peach interests before the Southern Freight Bureau. As a result of those appearances an intensive weighing program was agreed on, in which the shippers were to cooperate. Because of the abnormal growing season this year, the weighing program has been postponed until 1950.

13. Fresh fruits--watermelon claims. In an effort to reduce the loss and damage claim payments on shipments of watermelons, the southeastern carriers proposed, by a tariff publication, to establish a "normal expectancy" of damage. This "normal expectancy" ranged from 20 to 40 melons per car, depending on type of melon and method of loading, and meant that the designated number of melons would automatically be deducted from the actual number of damaged melons before a claim would be considered. The Division opposed any such tariff publication as illegal under the provisions of the Interstate Commerce Act unless a reduced freight rate was offered at the same time.

Realizing the impropriety of the tariff proposal, the Eastern Claim Conference adopted a resolution embodying the same provision and notified all concerned that all watermelon claims would be handled on the "normal expectancy" basis after April 1, 1949. This was also opposed by the Division as an infraction of another law. A small committee of watermelon shippers and receivers and a member of the Division were appointed to meet with the Eastern Claim agents. As a result of that meeting the Claim Conference suspended their resolution indefinitely and shortly thereafter word was received that the proposal had been canceled from the southern railroad docket.

14. Fruits and vegetables--storage-in-transit. Previous annual reports have mentioned proposals by Eastern railroads to equalize the charges for storage-in-transit arrangements and that the basis for this equalization was the highest charge now in effect on any commodity. Such action is naturally distasteful not only to the storers but to the warehousemen as well.

Public hearings were held by the railroad interests involved. These hearings were attended by representatives of shippers of all perishable products which are stored in transit. The Division was requested to appear and did so. Following the hearings the carriers agreed to make and submit cost studies on the services. To date no such studies have been submitted. In order to progress the matter, a meeting of the fresh fruit and vegetable interests, the warehouse interests, and this Division was called to outline a proposed scale of charges acceptable to those interests. The proposal agreed upon is now being drawn up for presentation to the Eastern railroads.

15. Fresh vegetables--potatoes from Maine. Following the authorized increases in freight rates in Ex Parte 162 and Ex Parte 166, the railroads serving the Maine potato producing areas realized that for the first time in history a large volume of potatoes was moving to market by competitive forms of transportation, mostly motortrucks. Accordingly, they began inquiring as to what they must do to retain their tonnage and regain some part of that which they had lost. A proposal was filed to reduce the potato rates within New England in amounts varying from 10 percent to 16 percent. Interested shippers and producers, including this Division, supported this adjustment and the reductions were published on short notice to become effective April 6, 1949.

16. Canned fruits and vegetables. The movement of canned goods within and between the Western and Southwestern areas has become largely a truck movement because of the high rail freight rates now prevailing. To return this traffic to the rails, a proposal was made by Western carriers to reduce the rail rates to a basis competitive with the trucks. The proposal was supported by the Division at the request of the canners and on account of the Department's own shipments.

After consideration, the railroads approved the suggested rates, which are reductions of approximately 25 percent and do not increase the carlot minimum weights. The rates were published to become effective July 1, 1949, but we are informed that requests for suspension have been filed with the Interstate Commerce Commission, which has not yet acted on them.

17. Frozen fruits and vegetables. Packers and shippers of frozen food products located in the Pacific Coast area requested the railroads for reductions in their rail rates, which they argued have become too high to permit them to continue competing in eastern markets. The assistance of the Division was solicited and given. Two things were wrong with the rate adjustment. The carlot minimum was too high to permit distribution to small markets and the line-haul rates to points in the Southeast were never equalized with the rates to the Northeast.

As a result of the negotiations a carload minimum of 36,000 pounds was authorized, effective July 1, 1949, to alternate with the old 46,000-pound minimum but at rates slightly higher than on the higher minimum. The rates to the Southeast were reduced to the level of the northern rates, a reduction of approximately 16 percent except to the Peninsula of Florida, 10 percent. This latter adjustment is to become effective August 1, 1949, according to present information.

18. Leaf tobacco within the South. A number of conferences were held with the executive freight traffic representatives of the Southern rail carriers for an adjustment to be made on leaf tobacco. The final handling of this matter has been concluded pending the final decision in Ex Parte 168.

The net result of our handling of this adjustment, is that the rail carriers will establish the present motor carrier rates in lieu of the present rail rates to become effective not later than July 20, 1949. The average reduction in freight rates is between 13 to 15 percent on tobacco produced in South Georgia and North Florida shipped to the Virginia-Carolina territory.

C. ACTIONS ON FERTILIZER AND FERTILIZER MATERIALS

1. Phosphate rock--general. In Ex Parte 162, the Interstate Commerce Commission authorized an increase of 20 percent with a maximum "hold-down" of 30 cents per ton. The rail carriers subsequently interpreted this as meaning 30 cents per net ton or 34 cents per gross ton, and amended tariffs accordingly. This Division protested this unauthorized increase and secured suspension (I&S Docket 5496) pending investigation. After hearing and oral argument, the Interstate Commerce Commission decided that 30 cents per ton net or gross was the lawful increase.

In Ex Parte 166 the Commission authorized an increase of 10 percent as an emergency charge pending further consideration, and a little later increased this to 20 percent, but no maximum or "hold-downs" were prescribed on phosphate rock, fertilizer, and fertilizer materials. This Division petitioned the Interstate Commerce Commission, under date of February 9, 1948, to prescribe equitable maxima or "hold-downs" on these commodities. Effective May 6, 1948 the Commission's third supplemental order in that proceeding became effective, and all of these commodities were subject to rate increases of 20 percent, 25 percent, and 30 percent, depending on the rate territory, and a maximum or "hold-down" of \$1.60 per net or \$1.80 per gross ton on fertilizer and fertilizer materials. However, on phosphate rock (crude) the maximum or "hold-down" was fixed at \$1.00 per net and \$1.12 per gross ton, and on phosphate rock (acidulated or ammoniated) and superphosphate a maximum or "hold-down" of \$1.60 per net ton and \$1.80 per gross ton was prescribed--the same as on fertilizer. The fourth "supplemental" or "final" order in this proceeding continued the third order percentage increases and "hold-downs" except that Zone 1 Western Trunk Line interterritorial percentage increase was reduced from 25 percent to 22½ percent, and all are in effect at the present time.

The Southern rail carriers were not pleased with the maximum or "hold-down" of 30 cents per ton net or gross prescribed in Ex Parte 162, and the decision in I&S 5496, claiming in verified rebuttal statements filed in Ex Parte 166 that since most of the rates on phosphate rock were approximately 75 percent of the fertilizer rate, the "hold-down" on phosphate rock (crude) should not be less than 75 percent of the "hold-down" prescribed on fertilizer, or 90 cents per net and 101 cents per gross ton; also that the "hold-down" on the same commodity in Ex Parte 166 should have been \$1.20 per net and \$1.35 per gross ton in lieu of the prescribed \$1.00 per net and \$1.12 per gross ton. The Southern Freight Association lines proposed to increase the rates on crude phosphate rock

20 percent, maximum 4½ cents per 100 pounds, the resulting figures to be further increased 25 percent, maximum 6 cents per 100 pounds, so as to reflect 75 percent of the increases authorized in Ex Partes 162 and 166 on fertilizer.

Public hearing was scheduled before the Standing Rate Committee on November 8, 1948, and a representative from this Division appeared with appropriate exhibits in opposition thereto. The submittal failed to gain the approval of the Standing Rate Committee, and the proponents appealed to the Executive Committee for consideration on its December docket. Public hearing was again scheduled, this time December 15, 1948 before the Executive Committee. The same representative from this Division again appeared with additional exhibits in opposition to its adoption.

The submittal was continued under consideration until the February 1949 meeting, when it was withdrawn and struck from the docket. If this proposal had been approved, the rates on crude phosphate rock would have been increased approximately 93 cents per gross ton all over this country, including the Tennessee and Western Mines.

The production of crude phosphate rock has been increasing at the rate of about 2,000,000 gross tons annually, and based on the 1947 production of 9,121,081 gross tons, a potential saving of more than \$8,000,000 annually is indicated.

2. Phosphate rock, South to West. Column 12 of class rates had been the applicable rate for several years on phosphate rock, crude, ground, or unground, from Florida Mines to destinations in Western Trunk Line and Southwestern territories.

These rates were, of course, subjected to the percentage increases authorized by the Interstate Commerce Commission in Ex Partes 162 and 166, etc., and the rates so increased created charges that appeared to be more than the traffic could bear. The carriers, under pressure of complaints and request of shippers, etc., sought other methods to provide equitable rates on this heavy loading, long haul and volume-increasing commodity. In a complaint case, the Interstate Commerce Commission prescribed a combination basis to North Little Rock, Ark., using up to Memphis 75 percent of the fertilizer rate as prescribed in Docket No. 16295 plus 10 percent (Ex Parte 123) and a certain arbitrary beyond. Out of that decision, the carriers evolved a formula which has had the effect of creating reductions ranging from 20 cents to \$1.00 per gross ton wherever specific point-to-point rates have been established. Many points in Texas, Oklahoma, Missouri, etc. now enjoy these reduced rates.

This Division concurred in this new basis at that time because it was thought that it was the lowest basis that could be then obtained without litigation. However, during this period and subsequent thereto, this Division advocated and

supported several proposals to install the Southern scale of rates on fertilizer and fertilizer materials into both Western Trunk Line and Southwestern territories, but with varying success. At the present time a proposal to apply Docket No. 16295 scale of rates plus 10 percent on superphosphate (a fertilizer material) has been approved by the Southern Freight and Illinois Freight Associations and will soon be referred to the Western associations for their consideration. The approval of this submittal would mean savings of approximately 20 percent on superphosphate, and, it is hoped, would act as a precedent for all fertilizers and fertilizer materials.

It would also mean that the new formula for making rates on phosphate rock would be superseded by a basis of 75 percent of the Docket No. 16295 scale plus 10 percent, origin through to destination. Reductions ranging from 75 cents to \$2 per gross ton would be effectuated. Actual reductions in freight charges cannot be even estimated accurately because we have no way to ascertain how much of the phosphate rock production moved to the points involved.

3. Phosphate rock, crude, ground, or unground. Annual reports of the Division for the past two years contain historical data pertaining to these proceedings (Dockets 29451-29452-29492-29703-29475 and Sub 1) and the efforts of interested parties to establish lower rates on phosphate rock, crude, ground, or unground, in Southern territory. The result of these proceedings created reduced rates ranging from 7 cents to \$1.27 per gross ton, but the basis used--that is, 75 percent of the fertilizer rates--was unsatisfactory to the complainants and interveners, of which the U. S. Department of Agriculture was the principal one. Consequently, these complainants and interveners, during the month of April 1948, filed petitions for reopening, reconsideration and rehearing of each complaint. On July 6, 1948, the Commission denied all petitions, and the petitioners discontinued further efforts. This Division did not then, nor does it now, subscribe to making rates on crude phosphate rock with a 75-percent or any other relationship to the rates on fertilizers because the price of phosphate rock is usually about one-fifth or less of the price of fertilizers, and loading and other transportation characteristics are not comparable. At a propitious time, a petition will be filed requesting that a general investigation of the rates on crude phosphate rock be instituted by the Interstate Commerce Commission.

4. Limestone--general. Specific point-to-point commodity rates are constantly being published on limestone in most all the rate territories at the level (or lower) of the established scales in the respective territories, the majority of which have been prescribed by the Interstate Commerce Commission. In lieu of these one-factor through commodity rates, class or more favorable combination commodity rates would be assessed, and tremendous savings in freight charges will result therefrom.

5. Limestone in New England. After a brief exchange of communications between the New England rail lines and this Division, the carriers involved voluntarily reduced the rates on limestone

below the level of the truck rates in an effort to recover a share of this tonnage previously lost to the motor lines. The new reduced rates will create savings in transportation charges ranging about 30 cents per net ton under the motor truck rates and approximately 80 cents per net ton under the former rail rates.

6. Superphosphate--South to West. A Southern Freight Association submittal was approved by the Southern Rail lines and referred to the Western Trunk Line Association to be considered by the Freight Traffic Managers Committee. This proposal contemplates the establishment of the Docket 16295 scale of rates plus 10 percent (Southern fertilizer scale) on superphosphate, minimum weight 80,000 pounds from points in Southern territory to destinations in Western Trunk Line territory. This proposal is only one of many that this Division has either introduced or supported to extend the Southern scale into other territories. There is a similar one under consideration in Southwestern territory, and efforts are being made to obtain the adoption of all of them. Should any or all of these proposals fail of approval, further efforts will be made at propitious times.

7. Superphosphate--Florida to West. There are no one-factor through commodity rates on fertilizer and fertilizer materials, particularly superphosphate, from Tampa, Fla., and points in that vicinity to destinations in Arizona and Southern California. Considerable tonnage has been moving on the basis of New Orleans combination--\$6.05 per net ton Tampa to New Orleans, and 57 cents per 100 pounds or \$11.40 per net ton New Orleans to Phoenix, Ariz., and points in that vicinity. Efforts are being made to establish a one-factor through commodity rate of 72 cents per 100 pounds or \$14.40 per net ton, and justification for this proposed base rate has been submitted to the Transcontinental Lines. The Standing Rate Committee recommended a rate of 80 cents per 100 pounds or \$16 per net ton, but the amended figure as well as the original figure failed of approval by member lines. All rates named are basic rates only. Further efforts to establish an equitable one-factor through commodity rate will be made soon.

8. Fertilizer and fertilizer compounds--South to West. Several efforts have been made by this Division and other interested parties to obtain equitable rates on superphosphate from Southern producing points to destinations in Western Trunk Line territory, separate and distinct from fertilizers and articles generally taking fertilizer rates.

None of these efforts has been entirely successful, although some reductions have been accomplished in reducing the rating from Column 17½ to Column 16 rates on fertilizer compound and articles taking same rates. Some years ago the Interstate Commerce Commission prescribed a scale of rates on fertilizer and fertilizer materials in Southern territory (Docket No. 16295), and specific rates to points in other territories occasionally have been established on that basis. Using these as precedents, and in the absence of any Commission prescribed general scale in Western Trunk Line territory, this Division has initiated some and

adopted other proposals to extend the Docket 16295 scale of rates plus 10 percent (Ex Parte 123) into the last named territory on superphosphate, showing lower prices and heavier loading abilities as compared with mixed fertilizers and fertilizer compounds as argument. Should the interested rate jurisdictions approve this particular application, freight rates on superphosphate will be reduced on the average of 15 percent and can be used as a basis to secure the adoption of Docket 16295 scale of rates as a uniform scale in all territories east of the Rocky Mountains.

D. ACTION ON COTTON

1. Cotton--Oklahoma to South. In prior issues of our annual report the matter of establishment and maintenance of one-factor through rates on cotton, carloads, from Southwestern Oklahoma origins to Southeastern destinations with stopping-in-transit privileges at Gulf Ports, was reported. At the close of the 1947-48 fiscal year, the record then showed that the rates had been established to expire on a certain date, and that various organizations in Texas Ports and New Orleans and this Division, in the interests of the Department as well as those of the producers, had protested the expiration of such recently established rates and requested a suspension pending an investigation into the reasonableness of the higher combination of succeeding rates. The suspension and investigation were made under I&S Docket No. 5414. Division 2 of the Interstate Commerce Commission decided and issued an order to the effect that the one-factor through rates were just and reasonable rates and sufficiently compensatory to the carriers to be maintained as permanent rates. However, some Southern cotton interests and a few Southern rail carrier respondents were not pleased with the decision, and during September and October 1948 filed several petitions for reconsideration by and reargument before the entire Commission.

The protestants, including this Division through the Solicitor's Office, replied to these petitions on November 1, 1948, vigorously opposing reopening and/or further consideration of this case. On January 10, 1949, the Commission issued an order denying all petitions for further consideration, and there is every indication that the case is now closed. The reduction up to June 30, 1949, is conservatively estimated at \$189,000, and during this season \$63,000.

2. Cotton--to East. A few years ago a textile manufacturer with three textile plants in three different States in the Eastern part of the United States, filed a formal complaint, seeking the establishment of rates on cotton, minimum weight 50,000 pounds, via water-rail and rail-water-rail lines, using a barge line from Memphis, Tenn., to Pittsburgh, Pa. Under the usual barge line differential, such rates would be less than the all-rail rates to the extent that 20 percent of the all-rail rate from Memphis to Pittsburgh would be subtracted from the all-rail rate origin to destination.

The Division, acting through the Solicitor's Office, filed a petition for permission to intervene in favor of complainants and

to amend the complaint so as to include all points in Eastern Territory taking the same rates and located on the same rail lines as specified in the original complaint. Our petition for intervention was granted and preparations were made to present appropriate exhibits and evidence by witness and attorney. However, the hearing in this proceeding (Docket No. 29305) has been postponed several times due to pending decision in the general barge line case (Docket No. 26712). Recently, some of the interested parties requested the Interstate Commerce Commission to schedule this complaint for an immediate hearing, and a date early this fall will likely be named.

3. Cotton--general. Maxima or "hold-downs" on cotton were requested by the rail carriers and so authorized by the Commission in both recent Ex Parte proceedings. Certain parties, who had indicated their intention of appearing as witnesses at the Montgomery, Ala., and Oklahoma City, Okla. hearings in Ex Parte 168, were supplied by this Division with data to support pleas for maxima or "hold-downs" on cotton in the event the Interstate Commerce Commission authorized increases in that proceeding, such maxima or "hold-downs" to be prescribed in the same manner and on the same basis as in former Ex Parte proceedings. It is anticipated that the pleas will have the Commission's favorable consideration.

4. Cotton--for export. A rate of 37 cents per 100 pounds on compressed cotton, any quantity, from Mobile, Ala., Pascagoula and Gulfport, Miss. to New Orleans, La., has been in effect for several years, but under the recent Ex Parte increases it became 55 cents per 100 pounds.

Recently a new rate of 51 cents per 100 pounds, minimum weight 50,000 pounds, was established, canceling the any-quantity rate of 55 cents per 100 pounds. Investigation with producers and shippers at the point of origin failed to develop any regular or substantial movement except that during the war years the Commodity Credit Corporation moved several thousand bales from Gulfport, Miss., to New Orleans, La., for export on certain vessels. All of these movements were in large quantities and, therefore, the carload rate being 4 cents lower than the any-quantity rate, the proposal was supported by this Division.

5. Cotton--West to South. In most instances eastbound rates from California-Arizona, etc., to Gulf ports, New Orleans, and West are generally on a parity, both domestic and export. However, there are exceptions, two of them being cotton and cotton linters. This Division has vigorously supported the adoption by the Trans-Continental Freight Bureau of a proposal to make the Texas Gulf ports rates applicable at New Orleans. The application was first disapproved, then approved, but the latter action was rescinded. Recent efforts, however, have resulted in the reinstatement of the application on the docket for consideration of the railroad traffic managers during the early part of August, and a representative of this Division has accepted an invitation to present the Government's and producers' case in person.

6. Cotton--Southwest to Southeast. During the Interstate Commerce Commission hearing in a case that was discussed previously involving the maintenance of one-factor through rates on cotton, carload, 50,000 pounds minimum, from southwestern Oklahoma origins on certain southwestern lines to southeastern destinations with transit privileges at Gulf ports, important traffic officials of other competing lines announced that if the rates were not permitted to expire as scheduled, their lines would be forced to operate similar rates and routes.

Recalling the declarations and desiring broader and more extensive application of such rates in the origin territory, this Division is negotiating with these rail lines for consumation. If no serious obstacles are encountered, there is every reason to expect the establishment and publication of the rates and routes at an early date.

7. Transit time on cotton For many years the storage-in-transit time on cotton has been limited to 12 months. During the war, the rail carriers were induced voluntarily to extend the time to 24 months, then 36 months, and finally 48 months in Southwestern and 40 months in Southern territories. After the cessation of hostilities, the transit time was gradually restored to 12 months. During the latter part of 1948, because of representations made by this Division, certain Southwestern carriers agreed that additional transit time was needed, and several proposals were docketed for 24 months, 20 months, 18 months, etc., but all were defeated. Then certain Southwestern lines agreed on 20 months, and notice was served on other member lines that independent action would be taken accordingly.

After the 20 months became effective in Southwestern territory, the Mississippi Valley lines were induced to adopt and publish 20 months, and all Southern lines soon followed suit. At the present time, 20 months is the transit time limit all over the "Cotton Belt" with the exception of Arizona and California. The rail lines serving that territory have the proposal on the docket and have informed this Division that instructions have been issued to their tariff publishing agent to extend the transit time to 20 months effective August 1, 1949. This extended time will provide an additional 8 months after the close of the season for the producers and owners profitably to dispose of the "carryover," on the basis of the through freight rate, origin-to-final destination, in lieu of the combination of rates into and out of the concentrating or warehousing point which averages about 40 cents per 100 pounds or \$2 per bale higher than the "through" rate. Since the "carryover" from the 1947-48 season totaled almost 3½ million bales, this indicated a potential saving of approximately \$7,000,000 for this season. The 1948-49 crop of nearly 15,000,000 bales, added to the 1947-48 "carryover," will total approximately 18,500,000 bales available. The domestic consumption is now estimated in the neighborhood of 7,700,000 bales and exports at something less than 4,000,000 bales, creating a prospective "carryover" into 1949 of approximately 7,000,000 bales. The 1949-50 planting of cotton has not been

restricted, and present indications are that production may equal or perhaps exceed this season's crop. It will therefore be apparent that this extension to 20 months, allowing an additional 8 months in the transit time limit, is now and will be in the future a most valuable asset to producers, owners, and the U. S. Department of Agriculture over the entire Cotton Belt--from California to the Carolinas.

8. Cotton--handling charges. Due to the demand of labor at some of the Texas Gulf ports, the loading, unloading, and handling charges on cotton were increased. The Southwestern rail lines serving those ports refused to absorb the increased charges, and consequently the charges were assessed against shippers or receivers.

In order to keep such Texas ports on a competitive basis with other Gulf ports, a proposal was introduced and approved by the rail lines comprising the Texas-Louisiana and Southwestern Freight Bureaus, despite objection registered against them, to increase the charges at all Gulf ports, including those in Southern territory. When the proposal was first presented to the Southern Freight Association, sufficient objections had been lined up in advance that it failed of approval. Its proponents, however, carried it on the docket from May to November 1948, when it met its final defeat and was canceled and withdrawn from the docket.

9. Vegetable oils. Various tariffs of the rail carriers publishing rates on vegetable oils and the non-application of such rates on cooking oil, etc., were suspended under I&S Docket No. 4039. Hearings were postponed during the war years. Efforts have been made recently to have this proceeding reopened, and in response the Interstate Commerce Commission scheduled a hearing for June 1, 1949, which, however, has been postponed to September 13, 1949. This Division intends to participate further in this proceeding, and as a considerable amount of evidence is anticipated in regard to the applicability of certain manufactured articles to take the same rates as oil, a representative of the Fats and Oils Branch will be invited to attend.

E. ACTIONS ON GRAIN AND GRAIN PRODUCTS

1. Grain, alfalfa meal, between Western Trunk Line and Southwestern territories--(I&S No. 5517). Schedules filed to become effective August 5, 1947, and containing rates higher than authorized, were suspended as a result of the Department's and other protests. The offending schedules were withdrawn and canceled effective January 1, 1949. An inestimable amount of money was saved producers and shippers by suspension of these rates.

2. Grain and grain products, Canada to the South--(I&S Docket No. 5581). Tariffs filed to become effective June 30, 1948, canceled the application of proportional rates from the Mississippi and Ohio River crossings to the South, Southeast, and Mississippi Valley on traffic originating in the Canadian Provinces of Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan. It was

proposed to apply the higher local rates from the river crossings on this traffic.

The Division, along with others, protested the action of the Southern lines to the Interstate Commerce Commission, and were successful in having the tariffs suspended. The offending schedules were withdrawn on the carriers' own initiative without a hearing, and I&S Docket No. 5581 was discontinued by the Commission's order dated February 14, 1949. The present proportional rates carry an expiration date of June 30, 1950.

3. Grain--proportional rates, gateways to central points--
(I&S Docket No. 5582). In purported compliance with the third supplemental report and order of the Interstate Commerce Commission in Ex Parte 166, the Central Freight Association lines, by tariff filed to become effective June 30, 1948, attempted to restore gateway and market equalization on grain, grain products, corn oil cake, soybean meal, and related articles, from Chicago, Ill.; Milwaukee, Wis.; Peoria, Ill.; East St. Louis, Mo.; Cairo, Ill.; Thebes, Ill.; and related gateways to Central Freight Association territory, and, in so doing, many of the adjusted rates published exceeded the 25-percent increase authorized.

The Division was one of several protestants filing petitions with the Commission objecting to the rates published and requesting that they be suspended, with the result that the Commission did suspend them under I&S Docket No. 5582.

A series of conferences between carriers and grain interests produced an agreement on rates that restored the equalization and relationship disrupted by the increase and yet approximated the 25-percent increase permitted. Rates conforming to the agreement made by carriers and grain interests were published effective November 1, 1948. By order dated November 1, 1948, I&S Docket No. 5582 was discontinued. A conservative estimate of the difference in transportation charges based on rates contained in carriers' original publication and the rates made effective amounts to \$100,000 per annum.

4. Grain, etc.--Texas to South--(I&S Docket No. 5598). This docket suspended rates on grain and related articles published by the Southwestern railroads to become effective August 30, 1948. The rates suspended applied from Texas to the South and were published as two-factor rates to and from Mississippi River crossings, Memphis, Tenn., and South. The Southwestern lines attempted to increase the rates (both factors) 25 percent, whereas the rates from origin to the Mississippi River crossings should have been increased only 20 percent as authorized in the Commission's order in Ex Parte No. 166.

This Division prepared testimony and supporting exhibits to be presented in protest against the suspended matter; however, prior to the hearing date, carriers abandoned their attempt to enforce the unauthorized increases and withdrew the suspended

rates. The proceeding was discontinued by order of the Commission dated January 10, 1948.

5. Export grain--Buffalo to New York (I&S Docket No. 5641).
Pursuant to proposals supported by the Division, certain Eastern lines published, to become effective April 11, 1949, reduced rates on Ex-lake grain from Buffalo, N. Y., and certain other lake ports to New York, N. Y., Boston, Mass., and Portland, Me., for export. The free time allowed on this traffic at New York was also increased from 10 to 20 days. The adjustment was published to place the 3 ports named on a parity with Baltimore and Philadelphia.

The Baltimore-Philadelphia rail carriers and the commercial organizations and Chambers of Commerce of those cities filed petitions with the Interstate Commerce Commission protesting the reduction of rates and equalizing free time allowed, and requested suspension of the publication. This Division filed a petition seeking denial of the petitions of suspension; however, the Commission suspended under I&S Docket No. 5641 and set the matter down for hearing at Washington, D. C., May 10, 1949. At the hearing the Division's three witnesses appeared in behalf of the equalization of rates and free time on the Baltimore and Philadelphia basis by presenting exhibits and supporting testimony, relying principally on Section 3(1a) of the Act for a favorable order sustaining its position. Briefs are due July 15, 1949, and an Examiner's proposed report will be issued.

6. Grain rates from, to, and between Texas differential territory--Ex Parte 152 and 166 increases. The Division filed a petition dated January 12, 1949, with the Interstate Commerce Commission protesting increases in the grain rates published by the Southeastern lines and requested suspension. The rates applied on grain, grain products, and related articles moving from, to, and between points in Texas differential territory and were published as (1) a distance scale of rates with application to apply throughout Texas, and (2) a set of differentials to apply only on traffic moving from, to, or between differential territory. Thus, on a shipment from an origin in differential territory to a destination in Texas not located in differential territory it was necessary to add together the rates in (1) and (2), explained above, to determine the rate necessary to move the traffic. It is our position that these rates should be added together and the Ex Parte increase applied to the sum of the two factors; however, the carriers applied the increases to each of the factors in (1) and (2) separately to determine the rate.

The position this Division assumed was exactly the same as that expressed by Interpretation No. 55, of the Association of American Railroads, contained in their letter of June 10, 1948. Despite the evidence we presented, the Commission denied our petition of protest and refused to suspend. It is also worth noting that subsequent to the Commission's decision, their Bureau of Traffic, in a letter dated May 6, 1949, informally assumed a position with reference to increases on cottonseed products, etc., in exact consonance with the one we took on grain outlined above.

7. Grain--Ex-lake--Duluth and Superior to Southeast. This subject involves the correct interpretation of tariffs applicable on grain ex-lake moving into the Southeastern States and resulted in suits against the Commodity Credit Corporation brought by various railroads seeking collection of undercharges amounting to approximately \$20,000. As a service to the Commodity Credit Corporation a representative of this Division cooperated with the Attorney General's office in a successful defense of the suits in the District Court at Minneapolis, Minn. The Court has now released its Opinion and Order of Judgment, which sustains the position taken by the Division in this matter.

8. Potato flour--Western gateways to East for export. Pursuant to records approved by Central territory lines, proportional and reshipping rates on potato flour from Western boundary points, such as Chicago, Peoria, and St. Louis, to eastern destinations for domestic use and export, were reduced effective October 1, 1948. Prior to the reduction this commodity was subject to fifth class; however, effective on the date shown, specific rates approximating the grain products basis were published to certain key points in Central Freight Association territory, and on traffic to Trunk Line and New England territories, domestic and export, the same rates as on starch, N.O.I.B.N., will apply. A representative from this Division appeared before carrier committees in active support of the reduced rates and, based on the estimated movement within the territories involved, an annual saving of \$25,000 will be effected.

9. Grain, grain products, and feed, carloads--from North Carolina, South Carolina, and Southern Virginia to Official territory. In cooperation with Farm Bureaus, farm cooperatives, and the State Public Utility Commissions of Virginia, North Carolina, and South Carolina, this Division assisted in prevailing on the Trunk Line railroads to reduce rates on grain, etc., from Southern Virginia and Eastern North and South Carolina to destinations in Official territory. The reduced rates are published and became effective January 15, 1949.

The justification for reducing the rates was to permit the marketing of a surplus of corn and small grains that developed through the introduction into the producing area of adapted hybrid seeds, which resulted in an increase in the average production per acre. Benefits accruing to producers and shippers through the reduction in rates have been conservatively estimated to be in excess of \$100,000 per annum.

10. Flaxseed, export. As the result of a conference November 1, 1948, between representatives from the Administrator's Office, Fats and Oils Branch, Shipping and Storage Branch, and this Division, plans were approved to ship considerable quantities of flaxseed for export through the Gulf ports instead of through the North Atlantic ports at an estimated saving in transportation costs of \$103,600 for each 1,000,000 bushels shipped. It was further estimated that a total of 2,000,000 bushels remained to be shipped.

11. Market and gateway equalization of rates on grain and grain products pursuant to Ex Parte 166. A series of conferences between Western and Southwestern carriers and various segments of the grain interests, including a representative of this Division, were held for the purpose of restoring rate relationships, market and port equalization on grain and grain products which was disrupted by the increases authorized in Ex Parte 166. The rates proposed by carriers would result in increases materially higher than authorized by the Commission; therefore, they were rejected by the grain interests. A compromise was finally effected at a meeting of interested parties in Kansas City, Mo., November 8 and 9, 1948, at which an Examiner representative of the Commission was present.

The rates agreed upon are considerably lower than originally proposed by carriers, and although an accurate weighted result of such over-all reduction cannot be ascertained, a very conservative estimate based on grain exported through Gulf ports, Mobile, Ala., and west thereof, results in a reduction amounting to more than \$125,000 per year.

12. Grain and grain products--revision of export rates from Western gateways and Central Freight Association to East and North Atlantic ports. The Eastern railroads issued a proposal to cancel present rates on grain and grain products applying from points on and east of the Mississippi River to North Atlantic ports for export and to reestablish in lieu thereof the export rates on these commodities that were in effect June 30, 1934, such rates to be subjected to the increases authorized in Ex Parte 123, Ex Parte 162, and Ex Parte 166. Approval of this proposal would have resulted in increases in rates ranging from 4 cents to 9 cents per 100 pounds.

A member of this Division appeared in behalf of the Department, before the Joint Conference of Eastern lines, three State Regulatory Commissions, and other grain-shipping interests in protest of the proposal. Subsequent to our appearance along with others, the carriers went on record to take no action on the proposal.

13. Clarification of Interstate Commerce Commission order involving rates on grain, etc. During the pendency of Ex Parte 166 members of this Division, in conference with the Chairman of the Interstate Commerce Commission and two Examiners, offered two plans that would materially simplify and expedite the restoration of rate relationships and market and port equalizations on grain and grain products when disrupted as a result of orders of the Commission.

"Plan No. 1. If, and when, the Commission issues a further order or orders in Ex Parte 166 (supplemental or final) or similar proceedings it is requested that, as to grain and grain products, it provide in the order the specific rates necessary to restore proper relations of market and gateway

combinations. In other words, to include specifically the rates in your order to be applied for the future based upon the Commission's determination.

"Plan No. 2. In lieu of Plan No. 1 an alternative plan similar to that provided for under a finding in Ex Parte 74 (58 ICC 221-253) could be adopted when consistent. This finding *** contemplates that the carriers and shippers, with the cooperation of the Commission, will get together and work out the basis of rates necessary to restore market and gateway equalizations."

These plans were offered in the interest of all parties as well as the Commission, with the expressed thought that adoption of Plan No. 1 would obviate or reduce the number of expensive and time-consuming suspension proceedings. Our suggestions bore fruit to the extent that the procedure suggested in Plan No. 2 is substantially the same as that subsequently embodied in the Commission's final report in Ex Parte 166. The assistance rendered by members of the Commission's staff has resulted in the cancellation of one suspension proceeding without a hearing and obviated the necessity of another.

14. Sugar beet seed--for export. In the early part of 1948 this Division was requested by a Branch of this Administration to investigate and rectify the discrepancy in the export rates on beet seed from Colorado, etc., origins to New Orleans as compared with Texas Gulf ports, etc. Investigation developed that in former years New Orleans carried a 5-cent per 100 pound arbitrary over the Texas ports, but for some reason had been left out of the item carrying the beet seed rates when the tariff was reissued. This omission caused the application of class rates and created much higher charges.

At the request of this Division, one of the lines serving New Orleans had the items republished effective November 5, 1948, as it had been in former years, and the lower rate became effective in time to cover about one-half of the program of 30 cars and a saving of approximately \$1,000. The restored rates will be available for the programs that may ensue in future years.

15. Soybean cake and meal--East to West. This proceeding (Docket 28922) has been incorporated in several annual reports since the hearing in 1944 and the favorable decision rendered by the Interstate Commerce Commission in the year following. However, the ramifications and the principles involved were of such magnitude that it has been reopened several times in the past 3 years, due to the reparation involved. Many California concerns, other than the complainant and interveners at the time of hearing, have since petitioned for permission to intervene in order to present claims for reparation. The latest of these is the Taylor-Walcott Company at Long Beach, Calif., and this concern was recently awarded reparation of \$1,436.14.

The contractual terms between the Commodity Credit Corporation and the complainant necessitated the intervention of this Division, as a service to the corporation, and its effective efforts to achieve a cancellation of the transit restrictions thereby automatically secured reparation for the complainant.

16. Potato flour--from California. In the height of the 1948 potato flour production program, labor troubles tied up the Pacific Coast ports so that California flour producers were unable to make delivery on their contracts and became pressed for storage room.

At their request, the Division negotiated with the Western railroads for an emergency export rate on potato flour from California to Gulf ports. Those carriers complied with our request and published a rate of 80 cents per 100 pounds, carload minimum 80,000 pounds, to expire after the labor situation had been solved. This was a reduction of 20 cents per 100 pounds. No information is at hand as to the quantity moved on this rate, but we are informed that the processor was able to meet his commitments with the military contractors and to keep his plant in operation.

F. ACTIONS ON LIVESTOCK AND LIVESTOCK PRODUCTS

1. Livestock to, from, and within the South. As previously reported, there has been pending before the Interstate Commerce Commission a proceeding (FSA No. 20398) in which the carload rates on livestock to, from, and within the Southern territory were involved.

The Commission released its decision in this proceeding on July 30, 1948. The findings therein were disadvantageous to the Ohio River markets such as Louisville, Ky., and Evansville, Ind. These disadvantages are not as great, however, as they appeared to be at the time of the hearing. The change in the status of this case was brought about by the general freight rate increases authorized by the Commission in 1948, in which the increases granted to Official territory exceeded those authorized in Southern territory by 5 percent. This has lessened the rate disparity. The Commission denied Eastern Trunk Line railroads permission to maintain carload rates on livestock from intermediate origins in Trunk Line territory to Chicago and other destinations in Central territory, which exceed rates from more distant points in Southern territory to the same destinations.

The rail carriers in Eastern Trunk Line territory petitioned the Interstate Commerce Commission on May 25, 1949, for modification of its findings in this case. What these carriers are attempting to accomplish by securing relief from one section of the Interstate Commerce Act would be in violation of two other sections of the act, and would disrupt the prescribed Southern livestock rates which this Division, farm organizations, and others were able to obtain after an extended period of litigation.

The Division and the Office of the Solicitor prepared and filed, with the Interstate Commerce Commission, on June 23, 1949,

a reply to the Eastern railroads' petition, in which we vigorously protested the request, and asked that the Commission deny these carriers any further relief from the Interstate Commerce Act.

2. Time limit for filing feeder-stocker livestock certificates. Rail carriers in Western territory published tariff rules, in December 1948, which would have greatly affected producers in the settlement of transportation charges on feeder-stocker livestock. This Division and various livestock producer associations filed vigorous protests with the Interstate Commerce Commission which resulted in the suspension of the proposed tariff rules pending investigation (I&S 5618). After the Commission issued its suspension order and set a hearing date, the carriers withdrew and canceled the proposed tariff rules and reinstated former tariff rules governing the time limit for filing feeder-stocker livestock certificates.

3. Livestock loading and unloading charges. In January 1948 a proposal was submitted to the Southern Freight Association for consideration, in which the Southern carriers would assess charges for loading and unloading of livestock, in carloads, when destined to private stockyards adjacent to public stockyards.

The Division filed objections to this proposal, and a representative from this office, while in Atlanta, Ga., discussed the matter with an official of the Southern Freight Association, at which time assurances were given that the proposal would not be approved. In a letter dated July 27, 1949, the Southern Freight Association stated that the proposed changes were not recommended, and it should be understood that the carriers do not intend to proceed with the changes previously contemplated. The action taken by this Division, livestock producer organizations, and others, prevented the carriers imposing upon the shippers of livestock charges amounting to several dollars per carload.

4. Fresh meats and packinghouse products to Southern Classification Territory. As previously reported, there have been pending before the Interstate Commerce Commission since 1946 numerous complaint cases attacking as unreasonable, under the Interstate Commerce Act, the carload rates on fresh meats and packinghouse products to Southern Classification territory from origins in Central Freight Association, Eastern Trunk Line, Southern, Southwestern, and Western Trunk Line territories. It is anticipated that the outcome of these cases will materially affect rate adjustments and rate relationships on the same traffic from identical origins to other destination territories.

Hearings on these complaints have not been scheduled because of the various general increased rate proceedings before the Commission during the last three years (Ex Partes 162, 166, and 168). The Division has brought up to date a series of rate and statistical exhibits, and these data will be offered as evidence at such time as the complaints come up for hearing.

5. Fresh meats and packinghouse products within the South. Rail carriers submitted a proposal to cancel all competitive rates on fresh meats and packinghouse products between points in the Southern territory, resulting in many increases. This Division cooperated with other interested parties and supplied them with data to be used in opposition to the proposal at a hearing in Atlanta, Ga., on January 10, 1949. After the hearing the railroads decided to disapprove the proposal; therefore the competitive rates have not been canceled.

6. Livestock proposed increase in the West. In the annual report for 1947-48 reference was made to the filing of a protest against the general increases that the carriers were attempting to take (I&S No. 5587), over and above those authorized by the Commission in Ex Parte 166. This action on the part of the carriers was recalled after the tariffs were suspended by the Commission. However, within approximately 60 days after the first attempt the carriers sought to acquire the same increases in an entirely different manner of tariff publication. The second attempt was also blocked by a protest from this Division, and after suspension (I&S 5600) the carriers withdrew their tariffs. In each of these instances an increase of 5 percent in excess of those authorized by the Commission was prevented.

Since a large volume of the livestock produced in Western States is marketed at Kansas City, St. Joseph, Omaha, Sioux City, and Sioux Falls (all considered as border points between Zones 1 and 2 of Western Trunk Line territory), large savings in freight charges were effectuated, which are conservatively estimated to be \$860,000.

7. Livestock feeding in transit. Our previous report contained reference to informal complaints involving large claims for overcharges assessed for feed furnished to livestock in transit under the 28-Hour Law. These complaints could not be settled under the informal docket, and they were refiled formally with the Interstate Commerce Commission in February 1949. At the request of interested parties, and after a thorough investigation of the subject, the Division, on June 10, 1949, filed a petition for leave to intervene on behalf of the complainants. Since the Commission had selected these proceedings to be handled under the modified procedure rules, a statement of facts and argument was attached to the petition. The defendants' replies to statements and arguments are not due to be received by the Commission until August 10, 1949.

8. Livestock and meats--rate relations. Although the Interstate Commerce Commission has never prescribed an actual rate relationship between the rates applicable on livestock, fresh meats, and packinghouse products per se, many interested parties contend that the Commission, in prescribing reasonable and compensatory rates on livestock on the one hand and rates on fresh meats and packinghouse products on the other hand, gave due consideration to the rates applicable on all of these commodities and, therefore, established an apparent relationship although not designated as such.

The Interstate Commerce Commission, in its order of July 27, 1948 (Ex Parte 166), said: That many commercial relations would necessarily be disturbed, some of which would be capable of correction within a reasonable time. It further stated that the carriers had promised to proceed by voluntary discussion and cooperation with shippers and representatives of markets to devise and endeavor to put into effect such measures as will restore former competitive relations as completely as possible.

At the request of livestock producer organizations, a representative of this Division attended a shipper-carrier conference at Chicago on February 23 and 24, 1949, at which time the rate relations on livestock and its products were discussed. No definite conclusions were reached at that time, and a subsequent conference was held at Chicago on March 17, 1949. The rail carriers were reluctant to admit at this time that commercial relations in the rates between livestock and its products existed on a nation-wide basis. It is hoped that a readjustment will be brought about in the near future and avoid a lengthy formal proceeding before the Interstate Commerce Commission.

9. Livestock from West to South. Livestock which moves from the Western territory to the South is subject to combination rates made on the Mississippi River Crossings, the lowest of which are figured over Memphis and Crossings south thereof. A normal route for livestock moving from origins such as Kansas City and Omaha to destinations in Southern territory is through East St. Louis, Ill.; however, this route is restricted because of higher combination rates via that gateway.

One railroad having acquired access into Kansas City and other western livestock markets proposed to meet the Kansas City--Memphis direct lines combination by equalizing the Memphis combination rates through the East St. Louis gateway. The origins included Western territory in general to destinations in Southern territory served by their rails. This proposal, after having been carried on the docket of the Southern Freight Association for some time, failed of approval despite favorable endorsement from this Division and livestock producer associations.

Subsequent to the failure of the first proposal the same railroad resubmitted a similar proposal which, however, limited the origins to Western Trunk Line territory, probably with the thought that in the event the second proposal met the fate of the first proposal independent action by the Gulf, Mobile and Ohio railroad and its Western connections could be taken. This Division is supporting the second proposal as it did the initial one, and has enlisted the endorsement of the various livestock associations. Favorable results are anticipated which will enable all shipments moving through gateways north of Memphis, such as East St. Louis, to enjoy the benefit of the lowest combination of rates prescribed by the Interstate Commerce Commission in the Southern Livestock Case.

10. Livestock, Ex Parte 168. In the most recent general freight rate increase proceedings, the railroads proposed a 13-percent increase in rates, which is applicable on livestock as well as other traffic. At the request of several livestock producer organizations this Division sent a representative to the Chicago hearing, equipped with appropriate exhibits to establish the producers' contention "that livestock traffic has been bearing, and now bears, an excessive and disproportionate share of the whole burden of transportation; that the rates on livestock and wool have been and are unjust, unreasonable, unjustly discriminatory and unduly prejudicial in violation of the Interstate Commerce Act." The Division's exhibits and testimony were correlated in every manner with the evidence presented by the livestock producer organizations.

The evidence presented appeared to be effective, and it is hoped that the Commission's final order in these proceedings will prevent further increases being imposed upon this traffic or exceptions made for livestock by lower percentage increases.

G. ACTIONS ON DAIRY AND POULTRY PRODUCTS

1. Eggs--special regulations (I.C.C. Docket No. 30030). On June 17, 1948, a supplement was issued to the Consolidated Freight Classification containing certain changes in the rules and regulations applicable on shell egg shipments transported by rail in interstate commerce. The handling and settlement of claims for loss and damage sustained during rail transportation are conditioned upon strict compliance with the rules and regulations. In effect, the rules and regulations were designed to absolve the railroads from paying for damages up to and including 5 percent of the eggs in the shipment and were also designed to affect certain shippers who were not located at the rail point of origin.

Because of our firm conviction that the new rules and regulations, if allowed to become effective, would give the railroads a legal (published) basis for denying responsibility and consequent claims, a petition was filed with the Interstate Commerce Commission on June 30, 1948, requesting suspension of the supplement. Notwithstanding our plea for suspension, the Commission permitted them to become effective on July 24, 1948, and simultaneously instituted an investigation, on its own motion, into the reasonableness and lawfulness thereof.

The hearing in the investigation has been postponed and reset many times in the course of the past fiscal year, and as of this writing it is now set for July 26, 1949, at Chicago, Ill. In the meantime, much material has been prepared for the purpose of substantiating our allegations that such rules and regulations are unreasonable, discriminatory, prejudicial, and in violation of the Interstate Commerce Act.

2. Eggs--shipping weights (I. & S. Docket No. 5634). For more than 40 years shell eggs have been transported and charged for by the railroads at a billing or estimated weight of 53 pounds per

30-dozen cases, irrespective of the size of the eggs. On January 25, 1949, the Consolidated Freight Classification Committee issued a supplement to the Classification which upon its effective date of March 5 increased the billing weight on shell eggs to 56 pounds per case. This represented an increase in the freight charges of 5.66 percent for the transportation of eggs by rail.

Having learned that the rail carriers' weight study, according to the manner in which it was conducted, could not reasonably reflect the true national average weight of all eggs shipped by rail, and giving due consideration to the kind of containers in which eggs are packed and transported, a petition was filed on February 24 with the Interstate Commerce Commission. The petition requested suspension of the supplement, pending an investigation into the reasonableness and lawfulness of the proposed weight. As a result of this petition the Commission suspended the schedule and undertook an investigation. The proceeding was set for hearing at Salt Lake City in April.

A member of the Division and an attorney from the Solicitor's Office participated in the hearing. They testified and submitted exhibits bearing out our position in the case which supported the establishment of dual estimated weights for eggs packed in fiber-board cases and for eggs packed in wooden cases because of the substantial difference in weights between the two kinds of cases. Also they asked that a commensurate reduction in the line-haul rates be authorized on eggs if the Commission deemed any weight heavier than 53 pounds reasonable on eggs and the respective containers in which they are shipped.

Briefs were filed with the Commission on June 13, 1949, and an Examiner's proposed report is pending. In the meantime the 53-pound billing or estimated weight will remain in effect on eggs packed in both kinds of cases until the issues are disposed of by the Commission upon completion of the case.

3. Dressed poultry--transcontinental rate reduction (TCFB Application 4663). After much collaboration with this Division and being furnished with pertinent data, a West Coast trade association filed a proposal with the Trans-Continental Freight Bureau requesting a reduction in rates to the Atlantic seaboard on dressed poultry from \$3.95 to \$2.78 per 100 pounds (Ex Parte increases included) with corresponding reductions at intermediate points. In support of the proposal this Division went on record with the Trans-Continental Freight Bureau recommending that affirmative action be taken, and supported our position with pertinent details justifying the necessity for the reduced rates. (See prior report.) The initial action by the carriers was to approve a rate of \$3.66 per 100 pounds (Ex Parte increases included) with corresponding adjustments in rates to intermediate points. Objections were filed against this action because the proposed reduced rates did not offer sufficient relief, and the proposal was re-docketed for further consideration. Additional data were sent by this Division to the transcontinental rail lines urging

the adoption of the rates as originally proposed. In response thereto we were informed that upon reconsideration of the proposal the transcontinental lines, at their May meeting, approved the \$2.78 rate to the Atlantic seaboard with corresponding adjustments at intermediate points and referred the proposal to the Eastern and Southern carriers for their concurrence. Despite the fact that the matter is still being considered by their connections the transcontinental lines took the initiative and concluded to publish the reduced rates on dressed poultry from Transcontinental territory to points as far east as Indiana (Group C-1). This represents a downward adjustment from \$3.95 to \$2.44 per 100 pounds (Ex Parte 162 and 166 included) with corresponding reductions in rates to the points west thereof. Latest information received, dated June 24, states that the publication of the reduced rates was ordered, and they will become effective on August 1, 1949.

4. Dairy products--rate reduction. Proposals were filed with the Western Trunk Line Committee for the substantial reductions in the carload freight rates on dairy products (butter, frozen cream, butter grease, eggs, frozen condensed whole milk, oleo-margarine, dressed poultry, poultry fats, and rabbits, other than live), from all points in Western Trunk line territory to all destinations located in Central Freight, Eastern Trunk Line and New England territories. Present rates are 43 percent of first-class rates to points in Central Freight territory and 45 percent of first-class rates to points in Eastern Trunk Line and New England territory. The proposed rates recommended reductions to approximately 35 percent of the first-class rates on account of motor carrier competition.

A public hearing on the proposals was held at Chicago before the Freight Traffic Managers Committee of the Western Trunk Line carriers in April and a member of this Division appeared in support thereof. Also in attendance at the public hearing were many representatives of interested shippers who stated that the proposed 35 percent scale of rates would have to be still further reduced if the carriers were desirous of having the tonnage restored to the rails. Our representative subscribed to the shippers' views and expressed the need for reduced rates based on the fact that terminal market reports strongly indicated the widespread diversion of this tonnage from the rails. We have been informed that at a meeting in May the Western Trunk Line Freight Traffic Managers Committee recommended that a Class 33½ basis be established to destinations in Trunk Line and New England territories and Class 30 to Central Freight Association points, which basis is representative of approximately a 30-percent reduction in rates. The record has been submitted to the Eastern lines for consideration and approval, and as of this writing the matter is still continued on their docket pending final disposition.

5. Shell eggs--minimum loading requirements. In prior reports mention was made of the many attempts made by this Division to convince the Office of Defense Transportation that

the heavier loading rule effective on carloads of shell eggs since November 1, 1942, should be rescinded or modified because of the undue burden it imposed upon the egg shippers of the country and that the tariff car load minima should be restored.

The Division kept itself informed of the availability of the volume of refrigerator cars, and when there was some indication that the supply was more plentiful, it made a very emphatic and urgent plea for modification or rescission of the egg-loading restrictions. In response thereto the Office of Defense Transportation amended the restrictions to the extent that shell eggs in cases shall be loaded not less than four layers high, and made the order effective July 19, 1948. Subsequent to this action the Office of Defense Transportation in February 1949 suspended the provisions of General Order ODT 18-A in its entirety. Since that time shell eggs in cases need not be loaded in refrigerator cars in excess of the tariff minimum weights applicable on any shipment..

H. ACTION ON WOOL AND MOHAIR

In prior reports we have made reference to actions of the Division in an attempt to obtain lower freight rates on wool and mohair. In its efforts the Division was joined by the National Wool Producers Associations and their affiliates, the National Wool Marketing Corporation, 25 state utilities commissions, several state directors of agriculture, four packing companies, and three chambers of commerce.

The aforementioned litigation, known as I.C.C. Docket No. 28863, has a long history since it was first promulgated in 1942. More than 200 exhibits were introduced in the case by 100 witnesses, and the testimony exceeded 3,800 pages. Briefs and counter briefs were filed by the opposing sides aggregating over fifty. With the exception of Ex Parte cases, seldom has a litigation case exceeded such magnitude.

In previous reports mention was made that the wool freight rate general investigation was an outgrowth of a survey of rates on wool, in grease, made by this Division on request of the national wool organizations. The study shows that the wool rates were too high in and of themselves and in comparison with rates on other commodities having similar transportation characteristics. The case was set up by the Commission as a general investigation when the petition was filed with the Commission by the national wool organizations. It was abandoned during the first part of the war and was reopened for hearing on May 7, 1945, as a result of a second petition by the Department of Agriculture.

The Examiner was more than 13 months in rendering his proposed report, which except in specific instances, was unfavorable to the wool interests. In general it covered actions of the Commission in previous wool cases over a period of years from 1910 to 1930.

The report was based largely upon such previous reports, and the large and concise record made in Docket No. 28863 was to a great degree seemingly disregarded.

On October 7 and 8, 1948, the Commission heard the oral argument and has not as yet released its decision. It has now been more than two years since the record was completed.

Prior to the war 85 percent of wool in grease was shipped to the Eastern Seaboard area, mostly in and around Boston, Mass., and nearly all was transported over the differential routes either through Pacific ports or intercoastal via Gulf ports, via the South Atlantic ports or over the Great Lakes. These differential rates ranged from 10 to 25 cents lower than the all-rail rates. The war was instrumental in closing the lowest rated routes, and wool producers were forced to ship at the highest rate possible. This situation still exists. At the present time there is an attempt on the part of the Western Motor carriers to compete with the rail lines by reducing their proportional rates to Chicago, but the lower rates that the motor carriers proposed to enable them to obtain tonnage on a competitive basis with the rails have been suspended by the Commission upon application by the rail carriers.

As mentioned previously, the oral argument that was held before the Commission last October was the last phase of the case before the final decision is released by the Commission and it is hoped that the Division has more than offset the adverse report of the Examiner and will receive a reduction in the rates on wool, in grease.

I. ACTIONS ON FISH AND FISH PRODUCTS

1. Ice allowances on fish by rail express. On June 17, 1948, the Railway Express Agency issued Classification Docket No. 3 containing proposed classification changes on fish and shellfish to become effective on a nation-wide basis September 1, 1948. If the change had been allowed to become effective, it would have increased express charges on these commodities approximately 20 percent. The Division sensed the tremendous importance to the fishing industry of this proposed increased charge, together with the upward spiraling transportation rates already assessed on the commodity; therefore, a meeting was arranged at Boston, Mass., September 14, 1948, attended by a member of this Division, representatives of the fisheries industry, and officials of the Railway Express Agency.

The Express Agency refused to withdraw their intentions of seeking this increase and issued their tariff to become effective November 22, 1948. This Division immediately joined with the fisheries industry requesting the Interstate Commerce Commission to suspend and investigate this charge. The Commission suspended and held a hearing in Chicago April 20, 1949, at which a member from this Division, together with Counsel, appeared on behalf of the fishery industry. At the present writing no decision has been

rendered by the Interstate Commerce Commission, and it is anticipated none will be issued possibly until about November 1, 1949.

In the meantime an annual reduction in shipping costs to the fishery industry according to its own calculations, is estimated at approximately \$1,800,000.

2. Fish and fishery products--rate activities. The Division has assisted the fishery people in securing recent reductions in freight rates on trans-continental movements of fish, and presently is cooperating with them in seeking further freight rate reductions. It is also conducting a national rate survey to determine the inequalities or unreasonableness of all rates on fish and fishery products as compared to other perishable food items.

II. MOTOR CARRIER FREIGHT RATES

Today more than ever before, the tremendous demand for food and fiber products requires that agricultural producing areas have available dependable, flexible, and economical transportation from farm to market and from market to farm. To serve this growing need, the motortruck is assuming an ever-increasingly important role. Nearly all crops are now initially moved by trucks, and in many instances the commodities are transported by trucks throughout their entire movement in reaching their final market destinations. Likewise, practically all shipments of supplies and equipment back to the farm depend, in part at least, upon motor carriers for their movement.

The key to the increasing use of the motortruck in the distribution of agricultural commodities is found in certain advantages of motor transport. It is without question the most flexible transportation system available. Trucks can reach every farm accessible by road, and permit the economical carriage of almost any quantity of commodities. In addition, they can easily move from one area to another following the change in seasons and crops. In general, motor transport provides faster service. These advantages of motortrucks, coupled with their use in coordination with rail transportation, have materially aided in the development of a faster and more economical distribution of agricultural commodities. With improved distribution have come improved quality and greater variety in products.

Developments in the motor carrier industry during the past fiscal year have centered principally around changes in the physical fleet, changes in the general level of rates for regulated carriers, a general improvement in profitability of the regulated motor carrier industry, and a movement toward a reappraisal of the scope and interpretation of the exemption clause of the Interstate Commerce Act.

Tremendous strides have been made in the motor carrier industry toward rehabilitation of the motortruck fleet that had been seriously depleted by the war. The channeling of production

into the war effort tolled heavily upon the need for new vehicles and replacement parts and equipment. In 1943, only 81,000 new vehicles were added to the fleet as compared with an average of about 550,000 for the period 1936-1941. But since the war new trucks have been placed into service at an unprecedented rate, particularly during 1948. In 1946, 625,000 vehicles were added; in 1947, 879,000 were added; and in 1948, 1,045,000 were added--nearly double the average rate of the 1936-1941 period. Consequently, the number of trucking vehicles available for service at the beginning of the calendar year 1949 was 7,207,000, as compared with 4,835,000 in 1945.

Of equal significance, moreover, is the fact that the large majority of vehicles placed in service since the war have been additions to the truck fleet instead of replacements for older vehicles already in service. During the period 1936-1941, 63 out of every 100 new vehicles placed in service were replacements for vehicles retired, but during the postwar years only 6 out of every 100 new vehicles have been replacements. While the number of replacement vehicles during 1948 has increased to 32 out of every 100 new vehicles, the relationship of new vehicles for replacements to vehicles for additions remains substantially below that for the prewar years.

The heavy and growing demand for motortruck transportation accounts for the growth in the truck fleet. The number of truck vehicle miles, including private and for-hire vehicles for 1948, is estimated at 46,000,000,000, as compared with 40,771,000,000 in 1947, 34,594,000,000 in 1946, and an average of 27,524,000,000 for the period 1936-1941. The American Trucking Associations' index of tons transported in intercity service by Class I motor carriers of property reveals that 71 percent more tonnage moved in 1948 than in 1941, and 13 percent more than in 1947.

While the freight rates of the regulated motor carriers generally continued to rise during the fiscal year, the increases were not as sharp as those experienced during the immediate post-war years, or were there as many requests for rate increases.

Increases in rates during the past 12 months were requested in five territories: New England, Middle Atlantic, Central States, Rocky Mountain, and Pacific Northwest. The permanent increases originally requested in New England amounting to 25 percent were voluntarily reduced to 15 percent. The increase of 10 percent requested by Middle Atlantic carriers was found to be unreasonable and reduced to 5 percent by the Commission. The Central States carriers' recent request amounts to 10 percent on shipments of less than 5,000 pounds, as compared with increases amounting to approximately 20 percent requested and granted by the Commission in 1948. The Rocky Mountain and Pacific Northwest carriers' recent requests amount to 4 percent, as compared with increases ranging from 10 to 20 percent in those territories granted early during 1948.

General improvement in the profitability of the regulated motor carrier industry has resulted from the general increases in rates and from the growing volume of traffic. The operating ratios which reflect the relationship of expenses to gross revenue were more favorable in 1948 than in any other year since regulation began in 1935. Most regions show average operating ratios of better than or near 93 percent, and some are below 90 percent.

Improvement in profitability of the regulated carriers' operations is also reflected in higher rates of return on net investment in carrier operating property and rates of return on net worth. For example, a study made by the Division of 51 carriers of general commodities in the Middle Atlantic territory, and introduced in evidence during the I.&S. Docket No. M-2949 hearings, estimates that the rate of return on property after taxes for 1948 was 28.9 percent, as compared with 21.0 in 1947, and 13.6 in 1939. The return on net worth after taxes was estimated at 30.4 percent, as compared with 20.4 percent in 1947, and 11.2 percent in 1939. The financial returns for carriers in other regions also have generally shown an improvement, as will be noted in later paragraphs.

In its efforts to keep the transportation of agricultural commodities by motortruck free from restrictive Federal regulation, the Division has continually stressed the need for flexible and abundant supply of motor transport, because of the special needs of agriculture in the distribution of farm commodities. Congress, in providing the exemption clause of the Transportation Act of 1935, recognized the peculiar transportation needs of agriculture.

Perhaps the most important of the characteristics of agriculture recognized by the exemption clause is the very highly seasonal nature of agricultural production. When crops are ready to market, an abundance of motor transportation is required within a very short period of time to prevent the deterioration of crops before they reach market and a resultant loss to the farmers and the public. The Division believes that only the exempt carrier can provide the type of transportation in sufficient amounts to move the crops at the time they should be moved. The exempt carriers, having no route or area restrictions, can follow the crops all the way from the Gulf of Mexico to the New England States as they mature and are made ready for market. There have already been serious inroads into the number of commodities that may be hauled by the exempt carriers. The attempts of the Division to preserve these exemptions have been formalized in the so-called "Harwood Case" which is reviewed at length under a separate heading.

During the past year, the Division has engaged in two main channels of activity in the motor carrier field. One has been to oppose unjustifiable increases in motor carrier rates, and the other, to seek clarification and broadening of the interpretation of the exemption clause. Consequently, the Division participated in numerous general revenue motor carrier proceedings in support of its position with reference to reasonable rates. It has as well taken a leading role in having the so-called "Harwood Case"

reopened and combined with a general investigation covering the status of agricultural commodities under the exemption provided in Section 203(b)(6) of the Interstate Commerce Act. In addition to the "Harwood Case" the Division participated in litigation with respect to the application of the exemption clause to the movement of fish by motor-truck.

A brief description of the formal motor carrier litigation in which the Division participated during the fiscal year follows.

A. NORMAN E. HARWOOD CONTRACT CARRIER APPLICATION--NO. MC-107669
AND DETERMINATION OF EXEMPTED AGRICULTURAL COMMODITIES
NO. MC-C-968

This case, which has been of prime concern to agricultural interests throughout the United States and has commanded the attention of national, regional, and State organizations during most of 1948 and the first half of 1949, had its immediate cause in a relatively unimportant contract carrier application proceeding, known as the "Harwood Case."

The roots of the case, however, are to be found in the official and unofficial constructions and interpretations of Section 203(b)(6) of the Interstate Commerce Act by the Commission over the last decade. The opportunity therefore to ask the Commission to reconsider its constructions and interpretations of the exemption clause presented itself as a result of the decision in the Harwood Case. The historical background is as follows:

A Michigan motor carrier filed with the Commission an application for a contract carrier permit to transport, in interstate commerce, fresh vegetables which had been washed, cleaned, and placed in cellophane containers. The Commission, in an order dated December 1947, granted the permit requested, and decided the question of whether or not this carrier was exempt from regulation by the Commission in the following language:

"The washing, cleaning, and packaging of fresh vegetables in cellophane bags or boxes for sale to consumers place such commodities in the ordinary channels of commerce and remove them from the class of unmanufactured agricultural commodities falling within the practical exemption of Section 203(b)(6) of the Interstate Commerce Act. Applicant accordingly requires authority to perform the transportation of such commodities. Since the fresh fruits and vegetables will presumably be transported in the same vehicles with the above nonexempt commodities, authority to perform such transportation is likewise required."

One commissioner dissented, stating that in his opinion the applicant did not require authority from the Commission to transport only fresh fruits and vegetables, including those which have been washed and cut up.

As a result of this decision, a petition requesting leave for intervention by the Secretary of Agriculture in this proceeding was filed with the Commission in April 1948. The request was granted shortly thereafter. The Division, through the Solicitor's Office, immediately followed through with the filing of a second petition with the Commission requesting: (1) the reopening of the Harwood case for further hearing, (2) a general investigation of the scope and applicability of the agricultural commodity exemption in Section 203(b)(6) of the Interstate Commerce Act, (3) the reopening of other cases in which the applicability of Section 203(b)(6) was involved, and finally (4) a hearing on a consolidated record including both the Harwood Case and general investigation. The Division was supported in this request by numerous farm groups, fruit and vegetable associations, and independent growers.

In June 1948, the Commission granted this petition in full with the exception of reopening previous cases in which the same issue was in question. September 21, 1948, was assigned as the hearing date, but this was later postponed to November 9, 1948. At this hearing, held in Washington, over 1,100 pages of testimony were taken, and 36 exhibits were received in evidence. A subsequent hearing was held in Atlanta, Ga., on January 5, 1949, which extended the record to over 1,500 pages and 46 exhibits. With the exception of one witness, all the evidence was supplied by petitioners or by intervenors supporting the petitioners' side of the case. Neither the railroads nor the truck lines presented direct or rebuttal evidence, but relied entirely upon cross-examination.

The Department of Agriculture provided a number of technical witnesses, all highly specialized in their fields, covering in detail all the important agricultural commodities, tracing the treatment afforded them at the various stages from the fields to markets and classifying over 450 commodities as between "unmanufactured" and "manufactured." In addition, the Department provided a complete list of official and unofficial rulings of the Interstate Commerce Commission regarding the status of various agricultural commodities under Section 203(b)(6) of the Interstate Commerce Act, and established, through the testimony and exhibits of a witness from the Bureau of Agricultural Economics, the importance of flexible truck transportation in the movement of crops to markets in all regions of the United States. Many State and regional producers, shippers of agricultural commodities, and producers' and shippers' associations supplied evidence showing their own particular interests as well as supporting the Department's treatment of the broad aspects of the case.

Briefs were due on May 4, 1949, and most of the interested parties, including the railroad and trucking interests, filed. The Department's brief, covering 183 pages, gave full and detailed treatment to all the evidence produced on the consolidated record, and asked that the Commission reverse the rulings, decisions, and reports and orders of the Commission in question. It requested also that the proposed report of the examiner, together with the

exceptions relating thereto and replies to exceptions, be referred directly to the entire Commission for consideration, and that oral argument be held before the entire Commission. The proposed report of the examiner is expected in the near future. (Since the close of the fiscal year the proposed report of the Examiner, supporting almost entirely the position taken by the Department, was released.)

B. THE CHESTER MORTON LOVE CASE--1948

In Interstate Commerce Commission v. Love (1948), 77 F. Supp. 63, the Commission brought suit to enjoin and restrain a motor carrier operator from transporting property by motor vehicle in interstate commerce without obtaining appropriate authority and without having to file the required tariffs and schedules of rates. He was engaged in transporting by motor vehicle, for compensation, shipments of fresh headless shrimp, packed in ice, and frozen headless shrimp from points in Louisiana to various Eastern points. His other operations with respect to the transporting of "whole fish" and potatoes were conceded by the Commission to fall within the exemption clause of the Interstate Commerce Act.

The defendant contended in defense that his operations with respect to the transporting of beheaded shrimp also fell within the partial exemption of the Act. The Commission, on the other hand, contended that such transportation was not exempt by the Act and called attention of the Court to the Commission's decision in Monark Egg Corporation Contract Carrier Application, 26 MCC 615, and 44 MCC 15, wherein the Commission concluded that only fish and shellfish, dead or alive, as taken from the water, are within the purview of the exemption. However, in that decision, one commissioner dissented from the adopted view, stating that the word "fish (including shellfish)," when accorded its ordinary and commonly understood meaning, the meaning used and understood in transportation parlance, includes fish in the various forms in which it is shipped other than canned. The District Court ruled that the Commission's construction of the exemption clause was clerally erroneous, and adopted instead the dissenting commissioner's finding that the transportation of shipments of beheaded shrimp is exempt from regulation.

On appeal by the Commission, the Secretary, acting through the Division and the Solicitor's Office, filed a brief amicus curiae in which he urged that the judgment of the District Court should be affirmed. Subsequently, on February 11, 1949, the United States Court of Appeals in Interstate Commerce Commission v. Love, 172 Fed. 2nd 224, upheld the lower court's decision. The Commission decided not to seek review by the United States Supreme Court.

C. REOPENING OF THE MONARK EGG CASE WITH RESPECT TO FISH AND FISH PRODUCTS, 1949

In direct consequence of the Court's decision in the Love case, and at the request of the National Fisheries Institute and the Department, the Interstate Commerce Commission recently reopened the old Monark Egg case for further consideration of

the record with respect to the meaning of the term "fish (including shellfish)" as it is used in the exemption clause. The National Fisheries Institute and the Division believed that the Court's limited decision with respect to beheaded shrimp should be applied to all kinds of fish and to fish undergoing different processing.

It will be recalled that the Monark Egg Corporation Contract Carrier Application cases, 26 MCC 615 (1940), and 44 MCC 15 (1944), involved an interpretation by the Commission of the meaning of the exemption clause of the Act. The Monark Egg Corporation was a dealer in eggs, distributing eggs purchased in Missouri, Kansas, and Nebraska, throughout at least 19 States by rail, by motor carrier, and by its own or leased vehicles. In order to reduce the cost of operating its own vehicles, the Corporation transported property of others, principally fish and oysters, on the return movement. Its purpose in seeking a permit was solely to clarify the extent to which its motor transportation activities were exempt from regulation by the Commission; for it was asserted during the hearing that any transportation subject to regulation would be discontinued immediately.

In the original case, 1940, the Commission found that shucked oysters; beheaded, gutted, or filleted fish; shelled pecans; shelled walnuts; and dressed poultry were not embraced within the commodity descriptions set forth in the exemption clause. In its later decision, 1944, which resulted from a reopening of the case at the instance of numerous carriers transporting fish and agricultural products, various shippers, and other interested parties, including the Division, the Commission affirmed its prior decision. It was to this decision that one commissioner dissented, as reported in the above discussion of the Love case.

The examiner's proposed report, published in April 1949, fully adopts the Court's view and recommends that the term "fish (including shell fish)," as used in the exemption clause, "includes frozen, quick frozen, and unfrozen fish in the various forms in which it is customarily shipped, such as live fish, fish in the round, beheaded and gutted fish, filleted fish, beheaded shrimp, and oysters, clams, crabs, and lobsters, with or without shells (including crab meat and lobster meat)." The Division, believing the proposed report is sound and should be adopted by the Commission, has filed, through the Solicitor's Office, replies to the exceptions to the proposed report filed by the New England Motor Rate Bureau, Inc., Eastern Railroads, and Railway Express Agency. A decision is anticipated some time during the latter part of 1949.

D. CENTRAL TERRITORY GENERAL INCREASES--1948

The Interstate Commerce Commission's decision of December 1, 1948, in I.&S. Docket No. MC-2726 terminated the extensive litigation with respect to general increases in rates by motor common carriers in the Central territory, which began in 1945. The Commission found that the proposed rates were just and reasonable to the extent they did not exceed the interim increases granted

by the Commission prior to its decision. The interim increases, granted in successive stages, in general authorized the carriers to increase their rates and charges to a level approximately 45 percent higher than those rates which were in effect March 17, 1942.

The Division participated fully in these proceedings, filing protests, providing expert witnesses who presented detailed exhibits at the hearings, and filing briefs whenever required. Based upon extensive study of the financial and operating condition of the respondent carriers, the Division took the position that such increases were not required to maintain the financial integrity of the carriers, nor were they needed for the rendition of adequate service. The Division consistently held that the adequacy of rates previously in effect was demonstrated by the tremendous expansion in plant and the accumulation of equity surpluses, accompanied by fair rates of return on investment.

A study of a representative group of Central States carriers made by the Division showed that the rate of return on net investment was 30 percent before taxes and 20 percent after taxes in 1947, the last year available. The return to net worth was 24 percent, and the rate of net income after taxes to capital stock was about 70 percent for the same year.

The Commission, however, while not disputing the strong financial position of the carriers, held that the controlling factor was the cost to the carrier for performing the service. Since their conclusion was that the interim increases did no more than meet the increased costs of operation, they found the rates to be lawful.

Some encouragement in this decision, however, is found in the detailed treatment the Commission gave to the Division's factual studies placed into the record. The greater portion of the report was devoted to the position taken by the Division.

E. SOUTHERN INTRA-INTERTERRITORIAL RATE INCREASES--1948

In March 1948, the motor common carriers in the Southern Region requested permission from the Interstate Commerce Commission to increase their freight rates by approximately 10 percent. Protests were filed by the Division and interested shipper groups. Accordingly, the Commission suspended the increases and instituted an investigation to determine the reasonableness and lawfulness of the proposed rates.

On April 19, 1948, however, upon petition of the Southern motor carriers, the Commission lifted the suspension and permitted the rates to become effective on May 1, 1948, notwithstanding numerous replies filed on behalf of shippers and the Department requesting the Commission to deny the carriers' petition. The investigation proceeding was continued with certain minor exceptions. Later, in October 1948, the Commission denied a

petition filed by the carriers to discontinue the investigation, but at a later date the hearing was postponed indefinitely.

This proceeding has been marked with considerable delay, culminating finally in the order which postponed the hearing indefinitely. The case was originally assigned for hearing on June 16, 1948. Subsequently, it was reassigned for hearing on July 20, 1948; again on September 13, 1948; again on November 9, 1948; and again on December 7, 1948. Finally, on November 30, 1948, by order of the Commission, the hearing scheduled for December 7, was postponed indefinitely.

The Division consistently and strongly urged that the proceeding not be delayed. In one instance it agreed to a short postponement to accommodate the motor carriers. It took the position that the increases of approximately 10 percent were not justified in light of the prosperous financial and operating condition of the carriers, and should not have been permitted to become effective without a determination of the justness and reasonableness of the increases by investigation. The studies prepared by the Division in preparation for the hearing revealed that during the first nine months of 1948 the carriers enjoyed an annual rate of return on carrier operating property after taxes of 48 percent, or over three times as high as any previous year included in the study. The rate of return after taxes on net worth for the first nine months was 64 percent. The increases sought, however, were in effect for about half of the 9-month period.

At these profit levels, which should be higher in 1949 with the full effect of the rate increase, the carriers will be returned their investment in carrier operating property in about two years, and will be returned their equity in the business in considerably less than two years.

There has been no indication by the Commission as to the disposition of this case, but in view of indefinite postponement of the hearing, it is likely that the proceeding will be discontinued.

F. INCREASED RATES--MIDDLE ATLANTIC--NEW ENGLAND--1948

In November 1948, motor common carriers in Middle Atlantic territory filed tariffs with the Interstate Commerce Commission requesting authority to increase their rates by approximately 10 percent. The Division and various shipper interests protested the proposed increases, asking that they be suspended and an investigation be instituted into the reasonableness of the rates. As a result, the Commission suspended the rates in question and set the matter down for investigation as requested. The case was then assigned for hearing in Washington on February 14, 1949.

Before the hearing date, respondents filed a petition with the Commission requesting that the suspension be lifted and that the proposed increases be permitted to become effective pending the outcome of the investigation. This request was denied and the case

went to hearing with the suspension still in effect. At the hearing the respondents generally contended that operating costs had continually risen throughout 1948 and the first month of 1949, placing into the record statements by motor carrier operators to this effect. Some financial exhibits were presented by the motor carriers, but basically increases in labor costs and material costs were the chief reasons given for rate relief. No unit cost figures or rate of return statements, however, were submitted by respondents.

The Division provided a witness who presented detailed testimony and exhibits relative to the financial need of the respondent carriers and showed, that in addition to tremendous growth in assets and surplus, the carriers were currently earning about a 45-percent return on investment before taxes, nearly three times the rate of return in 1939. The rate of return, after taxes, was about 30 percent. These and other criteria led the Division to the position that the proposed increases were not needed and were unreasonable.

Following the hearing, the Division immediately filed a petition requesting further hearing for the purpose of submitting additional facts which it appeared were vital to the record and had not been supplied by respondents. This request, however, was denied, the Commission ruling that the exigency of the matter required that a decision be reached as soon as possible. Therefore, briefs, oral argument, and proposed reports were to be dispensed with, and in lieu thereof, written argument was filed looking toward an early decision. The Commission's decision, however, was not forthcoming until about four months later.

In the decision rendered June 17, 1949, the Commission found unreasonable the proposed rate increases under suspension, and prescribed in its place a 5-percent increase. In its opinion, the Commission stated that an increase of 5 percent would have provided an operating ratio of 91 on the basis of 1948 operations, and that taking into consideration the expected increase in labor and material costs, the carriers in 1949 would have an operating ratio of about 93, which was given official approval in their decision in I.&S. Docket No. M-2222. The financial position of the carriers as shown by their balance sheets and the present rate of return on investment apparently was not considered in the decision, nor were any findings made relating thereto. On the basis of the decision, the carriers have recently filed a petition asking authority to increase their rates by 5 percent, effective on three days' notice. The Division immediately filed a reply to the petition asking the commission not to allow the increases to become effective on less than 30 days' notice. This action was taken in order that the Division might have time to draw up a protest to the increases and seek a reconsideration in this case.

G. INCREASED MOTOR CARRIER RATES--NEW ENGLAND TERRITORY--1948

On November 23, 1948, the motor common carriers in the New England territory petitioned the Interstate Commerce Commission for general rate increases. Their joint petition sought an "interim" increase of 10 percent, a "permanent" increase of 25 percent, and

a minimum rate order. The Commission, upon consideration of the petition, instituted an investigation to determine whether a general increase in rates should be authorized, denied the request for authorization to increase rates by the "interim" 10 percent, and deferred action on the request for a minimum rate order. At the hearing held in March 1949, the amount of permanent increase was reduced to 15 percent.

The Division took an active part in the proceeding on behalf of agricultural interests by filing a reply to the petition, and later by presenting exhibits and testimony at the hearing held in March 1949. Written argument was filed shortly after the hearings and the case is now awaiting decision by the Commission.

The position taken by the carriers was that the requested increases were required to meet increased costs both in operating expenses and replacement equipment, to restore their credit position, and to correct their capital structure. The Division, however, on the basis of its investigation of the economic and financial conditions of the carriers took the position that the increases requested were unreasonable and not required in the public interest for the maintenance of sound, adequate, and economical transportation service in the New England territory.

Studies made by the Division revealed that in 1948, in spite of a strike in the first quarter in 1948, respondents earned a return on property investment of 15.2 percent before taxes, and 11 percent after taxes, based on the first three quarters. With the exception of the first quarter of 1948, the pattern of earnings followed closely those earned in 1947 when the rates of return were 23 and 16 percent, before and after taxes, respectively.

H. CENTRAL TERRITORY INCREASES--LESS THAN 5,000 POUNDS--1949

Motor common carriers of the Central territory have recently filed tariffs with the Interstate Commerce Commission to become effective May 21, 1949, which increase by 10 percent the class rates on shipments under 5,000 pounds. The Commission upon complaint has suspended the increases to December 20, 1949, and has entered upon an investigation of the lawfulness of the increases. The Division has begun an inquiry into the reasonableness of the proposed increases and will take an active part in the proceedings in the protection of the farmers' interest.

I. RULES AND REGULATIONS ON EGGS PROPOSED BY MOTOR CARRIERS

In September 1948 a member of this Division appeared before the National Classification Board of the American Trucking Associations to express the Department's opposition to proposals of new rules and regulations being considered for adoption which would detrimentally affect shipments of eggs via motor carriers. One subject contemplated the limitation of liability in connection with damages

in excess of 5 percent, which was to apply on all eggs irrespective of packaging or character of shipment. Another subject under consideration for adoption was to apply to less than truckload rates on single volume shipments when such shipments were tendered to the motor carriers packed in both wooden and fiberboard cases. The adoption and effectiveness of both these rules would have proved very costly to producers when considering that in 1948 approximately 131 million cases of eggs moved through commercial channels, of which 90 percent were shipped by truck and of the 90 percent a substantial portion very likely moved by common carriers, parties to the Classification. In response to the Division's expressed disapproval of two proposals, the National Classification Board failed to adopt either one.

J. STANDARD EGG CASES--CLASSIFICATION DESCRIPTION,
I.&S. DOCKET NO. M-3028

A supplement to the National Motor Freight Classification was issued on March 23, 1949, to become effective on May 3, 1949, which proposed to cancel the current provision permitting the application of an estimated weight on shipments of shell eggs in 30-dozen cases and which also failed to provide that eggs packed in fiber cases designed to hold 15 dozen eggs will be accepted and transported as standard cases. The effects of this supplement would result in a radical departure from the long-established marketing practice of having eggs transported at an estimated weight and would subject such shipments packed in 15-dozen size fiber cases to penalty rates in addition to the line-haul rates. Protests for suspension were filed with the Commission by various shipping interests as well as certain container manufacturers which resulted in the suspension of the supplement by the Commission pending an investigation into the reasonableness and lawfulness of the contemplated motor carrier action.

The case is set for hearing at Salt Lake City on July 20, 1949, and a member of this Division will testify and submit exhibits for the purpose of establishing that commercial practices of long standing require that estimated weights on shell eggs in standard cases designed to hold 15 and 30 dozens of eggs be continued in effect and that 15-dozen size fiber cases should be accepted and transported as standard cases. Also, in recognition of a highly competitive transportation condition and commercial practices or requirements for the efficient and orderly marketing of eggs, billing or estimated weights on cases of eggs transported by motor carriers should be the same as the billing or estimated weights applying by rail, and because there is a substantial difference in weights between wood and fiber cases, there should be established estimated weights for eggs packed in each kind of case.

III. WATER CARRIER RATES

The maritime and waterways activities of the Division during the past fiscal year have been concerned with obtaining equitable transportation rates and accessorial charges applicable to waterborne transportation of agricultural products and farm supplies

moving in domestic and foreign commerce, and fostering the restoration and development of adequate domestic water services in the coastwise, intercoastal, river, lake, and canal trades in order that farmers and distributors of agricultural products and farm supplies may again have the advantage of differentially lower freight rates comparable with those in effect before the war.

The latter aspect of the Division's activities is just as important as obtaining reductions in existing rates because the availability of domestic waterway transportation exerts a strong tendency to keep at lower levels than would otherwise be the case the rail and motor rates with which it is competitive. As a result, many producers and distributors of farm products and supplies, who do not avail themselves of services of water carriers, nevertheless derive appreciable benefits by indirect savings in freight charges; that is, savings which emanate from water-compelled rail and motor rates brought about by the competition of the more economical water transportation, but are not obtained from the direct use of such transportation.

A. UNLOADING CHARGES AT SAN FRANCISCO (I&S DOCKET NO. 5393)

Rail carriers serving ports in the San Francisco Bay area published schedules that would eliminate the absorption of car unloading charges on certain farm products moving by water-borne transportation in interstate and foreign trades. The Division, in cooperation with other agricultural interests, protested the cancellation of absorption of car unloading charges and obtained suspension of the schedules.

A hearing date was assigned for October 8, 1948, at San Francisco. The Division prepared testimony and exhibits to show that if these proposed schedules were allowed to become effective, it would cost the Department alone in increased transportation charges an amount estimated in excess of \$250,000 annually. The rail respondents requested postponement of the hearing, but the Commission declined to postpone it, whereupon carriers, under special permission, filed tariffs effective November 20, 1948, canceling the schedules under suspension. Apparently, the rail carriers decided their position was untenable. The Commission then issued its order discontinuing this proceeding. This was equivalent to a favorable decision by the Interstate Commerce Commission.

B. GRAIN--RAIL--BARGE RATES IN NORTHWEST

As chronicled in a prior report, the Division intervened in favor of the complainant (I.C.C. Docket No. 29458), which operates barges on the Columbia River in the States of Oregon and Washington. In its complaint the barge line petitioned the Interstate Commerce Commission to require the railroads to join the complainant in establishing joint through rail-barge routes and rates for the transportation of grain and petroleum on a

differential basis below the existing all-rail rates. Hearings in this proceeding were held in Portland, Oreg., during July 1947 and February 1948. The Division participated in the hearings, presenting appropriate exhibits and testimony through a witness and counsel from the Office of the Solicitor. This matter is still pending before the Commission, and is assigned for oral argument on October 12, 1949.

C. HAY TO EASTERN PORTS FOR FEEDING EXPORT LIVESTOCK

This proceeding (Docket 30016) involves the application of export vs. domestic rail rates on hay. The Division intervened in this proceeding because the hay involved was purchased by the Commodity Credit Corporation for account of the United Nations Relief and Rehabilitation Administration under a contract calling for delivery at the port for export. The hay was purchased to feed livestock belonging to the Administration while the livestock was en route overseas and for approximately 15 days after its arrival at foreign ports. The case was handled by the Interstate Commerce Commission under its shortened procedure rule. The Division filed memorandum of facts and argument and exceptions to the Examiner's proposed report. The matter is pending the Commission's decision. A favorable report is expected at an early date. Reparations on all shipments of hay for account of United Nations Relief and Rehabilitation Administration are estimated at \$25,000.

D. JOINT PROPOSAL OF RAIL CARRIERS TO ESTABLISH TERMINAL SERVICE CHARGE ON WATER-BORNE TRAFFIC

Rail carriers issued a joint proposal contemplating a charge of 6 cents per hundred pounds, in addition to the applicable line-haul rates, for port terminal services performed by, or at the expense of the railroads in handling export, import, coastwise, and intercoastal traffic at the ports when moving between inland points and ports on the Atlantic and Gulf coasts.

Public hearings were held at Chicago, New York, and Atlanta. A representative from this Division appeared before the carriers' committee at the public hearing held in Chicago on September 15, 1948, expressed the Department's views, and vigorously opposed adoption of the proposal. Illinois, Southern, and Southwestern Freight Committees recommended that the Eastern lines be advised they were willing to adopt this proposed charge, with certain limitations, for application at South Atlantic and Gulf ports. The subject is now status quo. In the event the rail carriers publish these proposed charges, the Division will file protest against, ask suspension of, and request the Commission to conduct an investigation as to the lawfulness of such terminal charges.

This is an extremely important case, because if the terminal charge should become effective on all agricultural products (exclusive of grain), at all continental United States ports, it would easily increase agriculture's annual transportation bill by approximately 6 million dollars. Should the proposed charge be applied to grain the increase would exceed 25 million dollars annually.

E. CONFERENCE AGREEMENTS OF OCEAN STEAMSHIP LINES

This proceeding (M.C. Docket No. 684--Isbrandtsen Company, Inc., vs. North Atlantic Continental Freight Conference, et al) is the outgrowth of a Court Order issued by the United States District Court for the Southern District of New York, and challenges the validity of so much of North Atlantic Continental Freight Conference agreement as purports to authorize the member steamship lines to use the exclusive patronage contract rate system.

The Division intervened in this case, because it is its belief that such a system of ocean freight rates will adversely affect the free movement of agricultural products and farm supplies in foreign commerce, and that a shipper of agricultural commodities should be free to bargain with independent non-conference steamship lines, thereby obtaining the cheapest transportation charge available without being penalized when it fails to route all its tonnage via conference lines. Such a free enterprise system of ocean freight rates would be of material assistance to United States producers of agricultural products in competition with other nations for the foreign markets. Especially would this be true should the Nation accumulate a huge surplus of farm products.

Hearings in this proceeding were held in New York beginning May 9, 1949. The Division participated through a witness and counsel and introduced a great deal of pertinent evidence and comprehensive exhibits. Brief has been filed, and the Commission's decision is now awaited.

F. PACIFIC WESTBOUND CONFERENCE RATES

The Division, in cooperation with fruit and vegetable interests on the Pacific Coast, docketed with the Pacific Westbound Conference an application for reduction in ocean freight rates applicable to overseas shipments of all agricultural products, both processed and unprocessed, from U. S. Pacific Coast ports to the Far East (Japan, Korea, Formosa, Siberia, Manchuria, China, Hong Kong, Indo-China, Siam, and the Philippine Islands).

This application was approved, effective July 5, 1949, granting a decrease of approximately 10 percent in ocean freight rates applicable to apples, oranges, pears, grapes, and vegetables. Based on exports of these commodities during the fiscal year ending June 30, 1948, it is estimated these reductions will effect savings in transportation charges in excess of \$600,000 annually.

IV. MISCELLANEOUS ACTIONS

A.. NEW SYSTEM OF ACCOUNTING FOR ALL PERSONS FURNISHING PROTECTIVE SERVICE

In 1937 the Interstate Commerce Commission prescribed a new system of accounting and reporting for all persons furnishing

refrigerator cars and/or protective services against heat or cold. The railroads have been successful in having this order postponed each year. Last October a letter was addressed by the Division to the Interstate Commerce Commission requesting that no further postponements be granted and that this new system of accounting and reporting be put into effect at the earliest possible date.

The Interstate Commerce Commission issued an order, effective January 1, 1949, requiring all parties who furnish refrigerator cars or protective service to put into operation this new method of accounting. Under this new system we will be able to analyze and segregate costs of the various services performed by the various rail carriers.

B. REFRIGERATOR CAR IMPROVEMENTS

As related in previous reports, this Division has cooperated with the fresh fruit and vegetable industry, and frozen food industry, the Association of American Railroads, and the private refrigerator car lines in designing an all-purpose improved refrigerator car.

Up to the present time a number of tests have been conducted with refrigeration, ventilation, and heat. Reports have been published, and we are now making a study of these data from which further recommendations for improvement will be made.

C. HALF-STAGE ICING OF REFRIGERATOR CARS

During the war, when supplies of ice were inadequate at times for the protection of shipments of fresh fruits and vegetables, the Division induced the Interstate Commerce Commission to order the railroads to permit the use of half-stage refrigeration service at charges amounting to 78 percent of the full bunker service. This service and the charges therefor were published from year to year with an expiration date.

Each year the Division has requested the carriers to extend this service and cancel the expiration date. In compliance with this request and those of the produce industry the railroads have now canceled the expiration date for half-stage refrigeration service, and this service is now permanent from all origins in the country to all destinations.

D. SPLIT-ABSORPTION REFRIGERATOR CAR

The previous annual report stated that a laboratory test had been conducted on the split-absorption method of refrigeration and that satisfactory results were obtained. An official report of this refrigeration test was published and circulated to all interested parties. As a result of this test one of the major private refrigerator car lines has constructed several cars equipped with the new system of refrigeration for over-the-road tests to determine the efficiency as well as the economies of this method of protecting extremely perishable products in transit.

V. SERVICE TO OTHER AGENCIES

During the fiscal year ended June 30, 1949, the Rate Section of this Division furnished 33 Department agencies with 34,966 rates and other transportation information. Table 3 lists those agencies and the number of quotations requested by each. In addition, numerous rates were furnished transportation specialists in the Division.

Table 3.--Rates furnished agencies of the Department
July 1, 1948, to June 30, 1949

Agency	Rates
	<u>No.</u>
Agricultural Economics, Bureau of	3,922
Agricultural Research Administration:	
Administrator, Office of	7
Agricultural & Industrial Chemistry, Bureau of	2
Agricultural Research Center	2
Animal Industry, Bureau of	15
Dairy Industry, Bureau of	3
Human Nutrition & Home Economics, Bureau of	4
Plant Industry, Soil and Agricultural Engineering, Bureau of	<u>4</u>
	37
Budget and Finance, Office of:	
Division of Procurement & Supply Management	5
Division of Purchase Sales and Traffic	<u>18</u>
	23
Farm Credit Administration	26
Farmers Home Administration	2
Federal Crop Insurance Corporation	5
Foreign Agricultural Relations, Office of	3
Forest Service	5
Information, Office of	183
Plant and Operations, Office of	2
Production and Marketing Administration:	
Administrator, Office of	5
Agricultural Conservation Programs Branch	28,876
Budget and Management Branch	3
Cotton Branch	26
Dairy Branch	2
Fats and Oils Branch	46
Food Distribution Programs Branch	1
Fruit and Vegetable Branch	246
Grain Branch	1,228
Livestock Branch	7
Marketing Research Branch	121
Poultry Branch	3
Shipping and Storage Branch	4
Sugar Branch	<u>54</u>
	30,622
Soil Conservation Service	19
Solicitor, Office of	<u>117</u>
Total - 33 agencies	34,966

On June 30, 1949, requests for approximately 15,000 rates remained unfilled. The Bureau of Agricultural Economics is preparing a request for a large number of rates to be used in constructing a freight rate index on agricultural products. It is anticipated that the number of rates furnished during the coming fiscal year will exceed the number shown in table 3.

Table 4.--Number of freight rate actions taken by the
Transportation Rates and Services Division
affecting each State, fiscal year 1949

State	: Actions :	State	: Actions
	<u>Number</u>		<u>Number</u>
1. Alabama	39	25. Nebraska	33
2. Arizona	29	26. Nevada	23
3. Arkansas	32	27. New Hampshire	29
4. California	33	28. New Jersey	25
5. Colorado	36	29. New Mexico	31
6. Connecticut	25	30. New York	26
7. Delaware	23	31. North Carolina	35
8. Florida	40	32. North Dakota	30
9. Georgia	35	33. Ohio	27
10. Idaho	31	34. Oklahoma	37
11. Illinois	35	35. Oregon	30
12. Indiana	29	36. Pennsylvania	32
13. Iowa	32	37. Rhode Island	25
14. Kansas	34	38. South Carolina	37
15. Kentucky	37	39. South Dakota	33
16. Louisiana	40	40. Tennessee	38
17. Maine	28	41. Texas	47
18. Maryland	31	42. Utah	30
19. Massachusetts	27	43. Vermont	24
20. Michigan	28	44. Virginia	36
21. Minnesota	34	45. Washington	29
22. Mississippi	40	46. West Virginia	28
23. Missouri	38	47. Wisconsin	31
24. Montana	27	48. Wyoming	31

